BELLSOUTH

BellSouth Telecommunications, Inc.
Suite 2101
333 Commerce Street
Nashville, Tennessee 37201-3300

615 214-6301
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Guy M. Hicks
General Counsel

REC'D TN
REGULATORY AUTH.

'99 NOV 19 PM 2 56

OFFICE OF THE
EXECUTIVE SECRETARY

November 19, 1999

VIA HAND DELIVERY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-0505

Re: *Petition for Arbitration of ITC^DeltaCom Communications, Inc. with BellSouth Telecommunications, Inc. pursuant to the Telecommunications Act of 1996*
Docket No. 99-00430

Dear Mr. Waddell:

In response to the request of the Arbitrators, BellSouth is hereby submitting fourteen copies of late-filed exhibits of BellSouth witness Alphonso J. Varner.

A copy of the enclosed has been provided to counsel of record for ITC^DeltaCom.

Very truly yours,

Guy M. Hicks

GMH/jem

Enclosure

FILE

186994

CERTIFICATE OF SERVICE

I hereby certify that on November 19, 1999, a copy of the foregoing document was served on the parties of record, via the method indicated:

[✓] Hand [ ] Mail [ ] Facsimile [ ] Overnight	Gary Hotvedt, Esquire Tennessee Regulatory Authority 460 James Robertson Parkway Nashville, TN 37243-0500
[✓] Hand [ ] Mail [ ] Facsimile [ ] Overnight	H. LaDon Baltimore, Esquire Farrar & Bates 211 Seventh Ave. N, # 320 Nashville, TN 37219-1823

FILE

175073

REC'D TN REGULATORY AUTH.

'99 NOV 19 PM 2 56

OFFICE OF THE EXECUTIVE SECRETARY

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 and Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1

REQUEST: Please: (1) provide an exact copy of BellSouth's latest proposal to the Federal Communications Commission ("FCC") on voluntary self-effectuating enforcement mechanisms; and (2) identify the concerns expressed by FCC concerning that proposal. (Transcript, pages 811-813)

RESPONSE:

(1) Attached is a copy of BellSouth's latest proposal to the FCC on voluntary self-effectuating enforcement mechanisms, referred to as "VSEEM II," which was filed with the FCC on June 18, 1999. A more detailed explanation of VSEEM II was contained in a filing made by BellSouth with the Louisiana Public Service Commission on August 30, 1999, which also was provided to the FCC, a copy of which is attached.

(2) The following is a list of concerns expressed by the FCC to BellSouth about VSEEM II: (a) the proposal should minimize the potential for "gaming" by competitive local exchange carriers; (2) the proposed monetary damages may not be significant enough to deter "backsliding"; and (3) the remedy procedure should be enhanced by relying upon cell-level statistical test rather than the MSA-level test when determining remedy payout (see attached).

PLEASE DATE-STAMP AND RETURN

BELLSOUTH

Kathleen B. Levitz
Vice President-Federal Regulatory

Suite 900
1133-21st Street, N.W.
Washington, D.C. 20036-3351
202 463-4113
Fax: 202 463-4198
Internet: levitz.kathleen@bsc.bls.com

EX PARTE

RECEIVED
JUN 1 8 1999
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas
Secretary
Federal Communications Commission
The Portals
445 12th Street, S.W.
Washington, D.C. 20554

Re: CC Docket No. 98-56 and CC Docket No. 98-121

Dear Ms. Salas:

On June 17, 1999 Bob Blau, Randy New, Bill Stacy, and I, representing BellSouth, met with staff of the Common Carrier Bureau's Policy and Program Planning Division. Division staff attending the meeting included Michael Pryor, Claudia Pabo, Eric Einhorn, John Stanley, and Daniel Shiman. During this meeting, we discussed what would constitute a set of performance measurements and self executing enforcement mechanisms adequate to assure that BellSouth would continue to provide nondiscriminatory access to unbundled network elements and the functionalities provided by its OSS. In making their presentation, the BellSouth representatives used the attached documents.

In accordance with Section 1.1206, I am filing two copies of this notice in both of the proceedings identified above. Please place this notice in the records of both proceedings.

Sincerely,

Kathleen B. Levitz

Kathleen B. Levitz

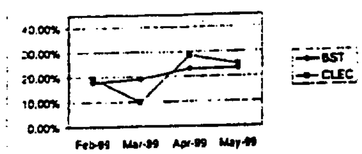
Attachment

cc: Michael Pryor (w/o attachment)
Claudia Pabo (w/o attachment)
Eric Einhorn (w/o attachment)
John Stanley (w/o attachment)
Daniel Shiman (w/o attachment)

Georgia Metropolitan Statistical Area (MSA) Comparisons
BST vs. CLEC Performance

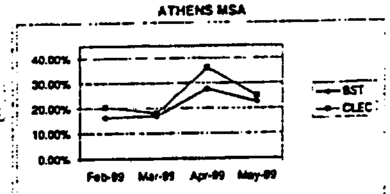
% MISSED REPAIR APPOINTMENTS
POTS DISPATCH

ALBANY MSA



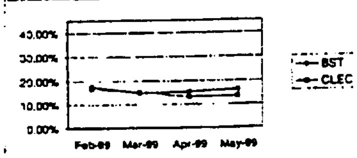
	Feb-99	Mar-99	Apr-99	May-99
BST	17.80%	18.96%	23.18%	23.20%
Volume	826	749	798	801
CLEC	19.40%	9.88%	28.57%	25.00%
Volume	67	81	42	44
Balanced Z			-1.38	

ATHENS MSA



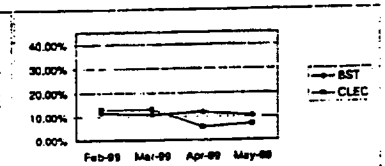
	Feb-99	Mar-99	Apr-99	May-99
BST	16.14%	16.80%	27.69%	22.53%
Volume	849	744	791	972
CLEC	20.41%	18.00%	36.00%	25.00%
Volume	49	50	25	12
Balanced Z			-1.97	

ATLANTA MSA



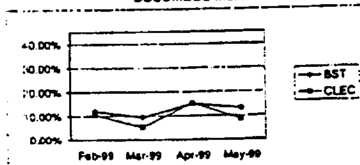
	Feb-99	Mar-99	Apr-99	May-99
BST	17.68%	15.00%	15.45%	16.39%
Volume	30203	30194	32256	36441
CLEC	16.82%	15.11%	13.33%	13.64%
Volume	2420	2508	1028	1122
Balanced Z			1.45	

AUGUSTA MSA



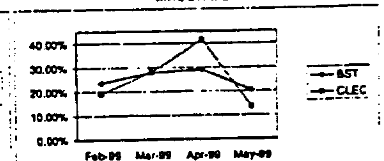
	Feb-99	Mar-99	Apr-99	May-99
BST	11.70%	10.85%	12.00%	10.64%
Volume	2240	2415	2549	2772
CLEC	12.99%	13.18%	5.56%	6.98%
Volume	231	296	90	86
Balanced Z			2.20	

COLUMBUS MSA



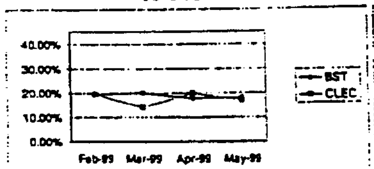
	Feb-99	Mar-99	Apr-99	May-99
BST	12.12%	9.39%	14.98%	13.11%
Volume	2838	2842	2857	3241
CLEC	10.42%	5.31%	15.25%	8.55%
Volume	259	245	118	117
Balanced Z			-0.08	

MACON MSA



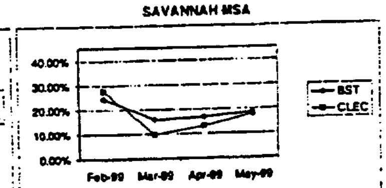
	Feb-99	Mar-99	Apr-99	May-99
BST	23.56%	27.87%	29.12%	20.42%
Volume	1842	1880	1985	1946
CLEC	19.21%	28.06%	41.43%	13.56%
Volume	229	278	70	59
Balanced Z			-2.45	

OUTSIDE MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	19.68%	20.16%	17.86%	18.22%
Volume	6726	6794	7163	7959
CLEC	19.49%	14.15%	19.92%	17.07%
Volume	585	735	251	205
Balanced Z			-0.25	

SAVANNAH MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	24.54%	15.89%	16.79%	18.64%
Volume	1422	1347	1358	1431
CLEC	27.73%	9.65%	13.16%	17.78%
Volume	119	114	38	45
Balanced Z			0.35	

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
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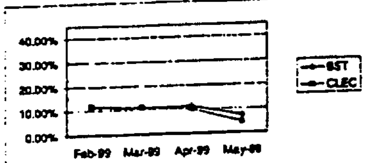
Item No. 1

Georgia Metropolitan Statistical Area (MSA) Comparisons
BST vs. CLEC Performance

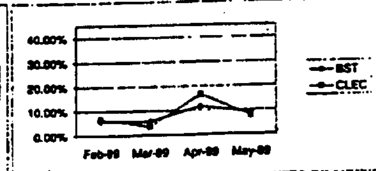
% MISSED REPAIR APPOINTMENTS
POTS NON DISPATCH

ALBANY MSA



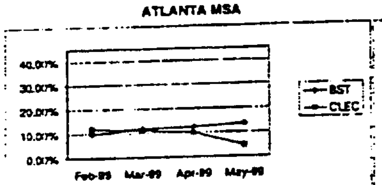
	Feb-99	Mar-99	Apr-99	May-99
BST	11.41%	10.77%	11.25%	7.19%
Volume	631	743	1004	835
CLEC	11.76%	11.11%	10.00%	4.55%
Volume	34	72	20	22
Balanced Z			0.75	

ATHENS MSA



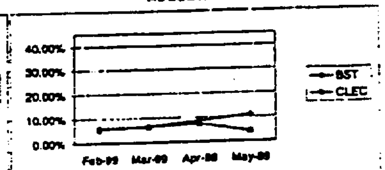
	Feb-99	Mar-99	Apr-99	May-99
BST	5.90%	5.63%	11.56%	9.08%
Volume	644	853	735	726
CLEC	6.67%	3.51%	16.67%	7.69%
Volume	30	57	6	13
Balanced Z			-0.13	

ATLANTA MSA



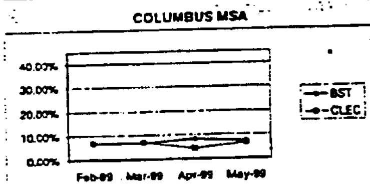
	Feb-99	Mar-99	Apr-99	May-99
BST	9.81%	11.82%	12.24%	13.39%
Volume	25585	30288	30057	32274
CLEC	8.62%	11.17%	7.37%	7.63%
Volume	1580	2158	434	472
Balanced Z			2.76	

AUGUSTA MSA



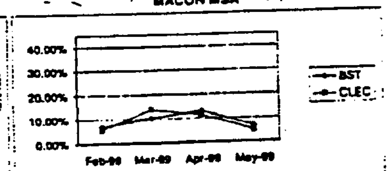
	Feb-99	Mar-99	Apr-99	May-99
BST	6.01%	6.51%	8.58%	10.75%
Volume	1581	1751	2202	2863
CLEC	5.39%	6.02%	7.32%	4.08%
Volume	167	216	41	49
Balanced Z			0.30	

COLUMBUS MSA



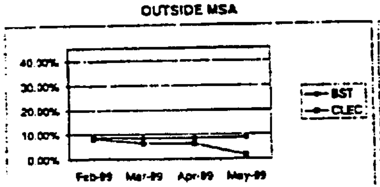
	Feb-99	Mar-99	Apr-99	May-99
BST	6.52%	6.89%	8.12%	7.36%
Volume	1763	1967	2488	2554
CLEC	6.95%	7.03%	4.35%	8.52%
Volume	187	185	46	46
Balanced Z			1.83	

MACON MSA



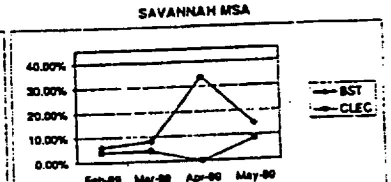
	Feb-99	Mar-99	Apr-99	May-99
BST	6.73%	10.30%	13.31%	8.62%
Volume	1248	1457	1841	1751
CLEC	5.43%	14.08%	11.54%	4.76%
Volume	129	182	26	21
Balanced Z			1.46	

OUTSIDE MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	8.68%	8.40%	8.40%	8.69%
Volume	4400	4860	5395	6252
CLEC	8.10%	6.40%	6.25%	1.67%
Volume	358	453	80	60
Balanced Z			1.42	

SAVANNAH MSA



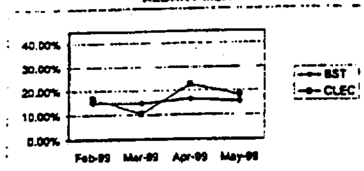
	Feb-99	Mar-99	Apr-99	May-99
BST	5.98%	7.99%	33.86%	14.66%
Volume	1205	1476	1787	1685
CLEC	3.96%	4.17%	0.00%	8.33%
Volume	101	120	15	12
Balanced Z			3.00	

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 4 of 77

Georgia Metropolitan Statistical Area (MSA) Comparisons
BST vs. CLEC Performance

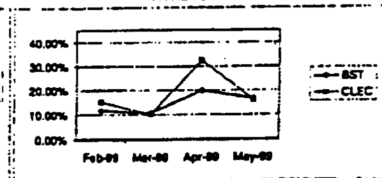
% MISSED REPAIR APPOINTMENTS
POTS DISPATCH + NON DISPATCH

ALBANY MSA



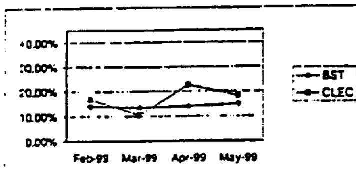
	Feb-99	Mar-99	Apr-99	May-99
BST	15.03%	14.88%	16.54%	15.54%
Volume	1457	1492	1802	1736
CLEC	16.83%	10.46%	22.58%	18.18%
Volume	101	153	62	66
Balanced Z			-0.78	

ATHENS MSA



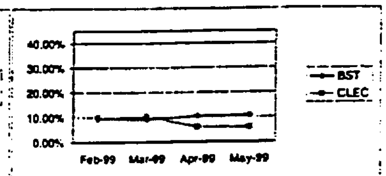
	Feb-99	Mar-99	Apr-99	May-99
BST	11.72%	10.83%	19.92%	16.78%
Volume	1493	1597	1526	1698
CLEC	15.19%	10.28%	32.26%	16.00%
Volume	79	107	31	25
Balanced Z			-1.83	

ATLANTA MSA



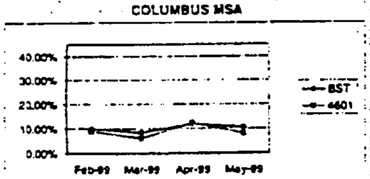
	Feb-99	Mar-99	Apr-99	May-99
BST	14.07%	13.41%	13.90%	14.98%
Volume	55798	60482	62313	68715
CLEC	13.98%	13.29%	11.56%	11.86%
Volume	4000	4666	1462	1594
Balanced Z			2.59	

AUGUSTA MSA



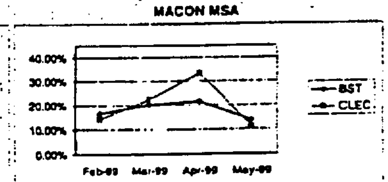
	Feb-99	Mar-99	Apr-99	May-99
BST	9.34%	9.03%	10.42%	10.70%
Volume	3821	4166	4751	5655
CLEC	9.80%	10.16%	6.11%	5.93%
Volume	398	512	131	135
Balanced Z			2.07	

COLUMBUS MSA



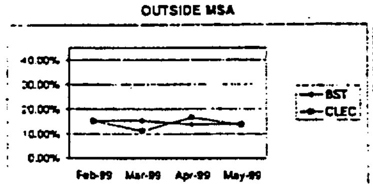
	Feb-99	Mar-99	Apr-99	May-99
BST	9.98%	8.37%	11.79%	10.56%
Volume	4601	4829	5345	5795
CLEC	8.97%	6.05%	12.20%	7.98%
Volume	446	430	164	163
Balanced Z			0.88	

MACON MSA



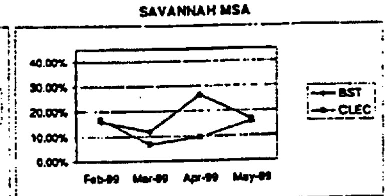
	Feb-99	Mar-99	Apr-99	May-99
BST	16.76%	20.20%	21.51%	13.88%
Volume	3090	3337	3626	3697
CLEC	14.25%	22.34%	33.33%	11.25%
Volume	358	470	86	80
Balanced Z			-1.22	

OUTSIDE MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	15.33%	15.26%	13.79%	14.02%
Volume	11126	11654	12558	14211
CLEC	15.16%	11.20%	16.62%	13.58%
Volume	943	1188	331	265
Balanced Z			0.32	

SAVANNAH MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	16.03%	11.76%	26.49%	16.62%
Volume	2627	2823	3145	3116
CLEC	16.82%	6.84%	9.43%	15.79%
Volume	220	234	53	57
Balanced Z			2.46	

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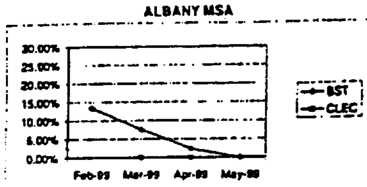
Georgia Metropolitan Statistical Area (MSA) Comparisons
BST vs. CLEC Performance

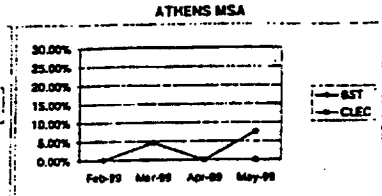
% MISSED REPAIR APPOINTMENTS
RESALE DESIGN DISPATCH

ALBANY MSA



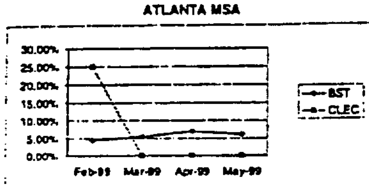
	Feb-99	Mar-99	Apr-99	May-99
BST	13.51%	7.55%	2.38%	0.00%
Volume	37	53	42	25
CLEC		0.00%		
Volume		2		
Balanced Z				

ATHENS MSA



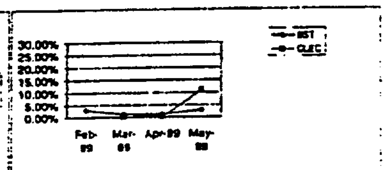
	Feb-99	Mar-99	Apr-99	May-99
BST	0.00%	4.65%	0.00%	7.69%
Volume	15	43	45	39
CLEC				
Volume				
Balanced Z				

ATLANTA MSA



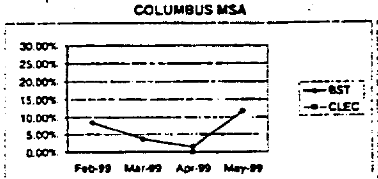
	Feb-99	Mar-99	Apr-99	May-99
BST	4.46%	5.46%	6.91%	6.09%
Volume	718	1025	1086	1130
CLEC	25.00%	0.00%	0.00%	0.00%
Volume	4	4	3	6
Balanced Z				

AUGUSTA MSA



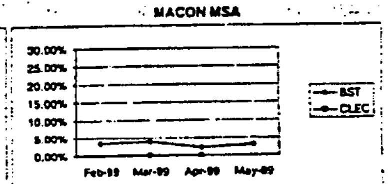
	Feb-99	Mar-99	Apr-99	May-99
BST	2.94%	1.19%	1.16%	2.90%
Volume	68	84	86	69
CLEC		0.00%	0.00%	11.11%
Volume		5	6	9
Balanced Z				

COLUMBUS MSA



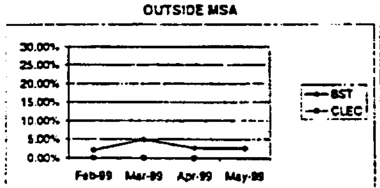
	Feb-99	Mar-99	Apr-99	May-99
BST	8.51%	3.77%	1.49%	11.76%
Volume	47	53	67	68
CLEC			0.00%	
Volume			1	
Balanced Z				

MACON MSA



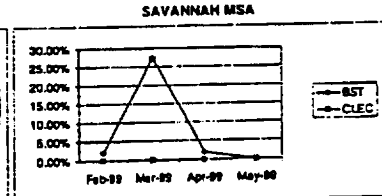
	Feb-99	Mar-99	Apr-99	May-99
BST	3.45%	3.90%	2.20%	2.99%
Volume	58	77	91	67
CLEC		0.00%		
Volume		1		
Balanced Z				

OUTSIDE MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	2.00%	4.94%	2.70%	2.60%
Volume	100	162	148	192
CLEC	0.00%	0.00%	0.00%	
Volume	1	1	5	
Balanced Z				

SAVANNAH MSA



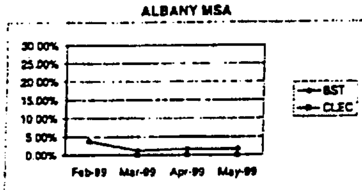
	Feb-99	Mar-99	Apr-99	May-99
BST	2.04%	27.35%	1.92%	0.00%
Volume	49	373	52	52
CLEC	0.00%	0.00%	0.00%	0.00%
Volume	3	5	2	1
Balanced Z				

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1

Georgia Metropolitan Statistical Area (MSA) Comparisons
BST vs. CLEC Performance

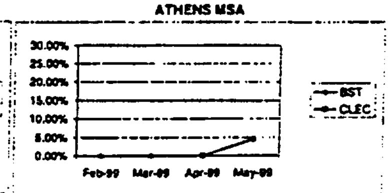
% MISSED REPAIR APPOINTMENTS
RESALE DESIGN NON DISPATCH

ALBANY MSA



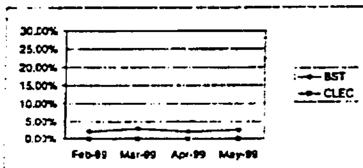
	Feb-99	Mar-99	Apr-99	May-99
BST	3.85%	1.28%	1.72%	1.79%
Volume	26	78	58	56
CLEC		0.00%	0.00%	0.00%
Volume		1	2	1
Balanced Z				

ATHENS MSA



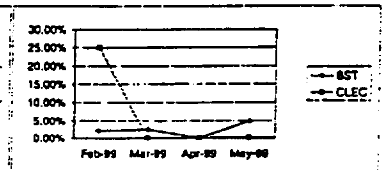
	Feb-99	Mar-99	Apr-99	May-99
BST	0.00%	0.00%	0.00%	4.55%
Volume	36	25	71	44
CLEC			0.00%	
Volume			1	
Balanced Z				

ATLANTA MSA



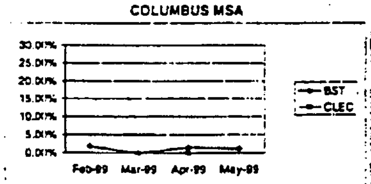
	Feb-99	Mar-99	Apr-99	May-99
BST	2.09%	3.04%	2.10%	2.59%
Volume	863	1151	1190	1431
CLEC	0.00%	0.00%	0.00%	0.00%
Volume	4	5	7	2
Balanced Z				

AUGUSTA MSA



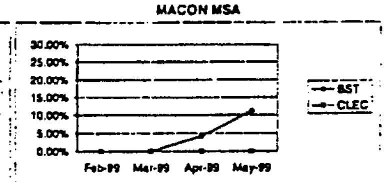
	Feb-99	Mar-99	Apr-99	May-99
BST	2.11%	2.47%	0.00%	4.84%
Volume	95	81	59	62
CLEC	25.00%	0.00%	0.00%	0.00%
Volume	4	3	4	9
Balanced Z				

COLUMBUS MSA



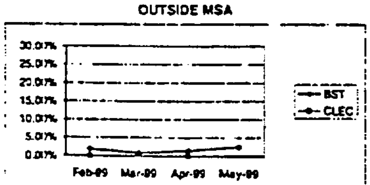
	Feb-99	Mar-99	Apr-99	May-99
BST	1.79%	0.00%	1.52%	1.20%
Volume	56	30	66	83
CLEC				
Volume				
Balanced Z				

MACON MSA



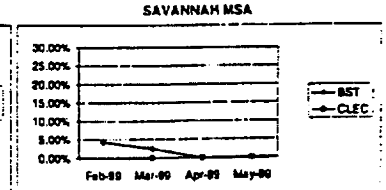
	Feb-99	Mar-99	Apr-99	May-99
BST	0.00%	0.00%	4.29%	11.11%
Volume	35	53	70	81
CLEC	0.00%	0.00%	0.00%	0.00%
Volume	4	4	1	2
Balanced Z				

OUTSIDE MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	1.87%	0.88%	1.45%	2.58%
Volume	107	113	138	155
CLEC	0.00%			
Volume	1			
Balanced Z				

SAVANNAH MSA



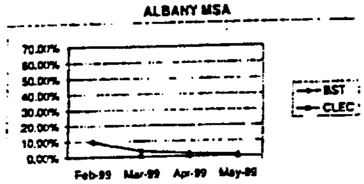
	Feb-99	Mar-99	Apr-99	May-99
BST	4.35%	2.47%	0.00%	0.00%
Volume	69	81	68	71
CLEC		0.00%	0.00%	0.00%
Volume		1	2	1
Balanced Z				

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 7 of 77

Georgia Metropolitan Statistical Area (MSA) Comparisons
BST vs. CLEC Performance

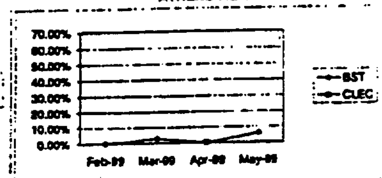
% MISSED REPAIR APPOINTMENTS
RESALE DESIGN DISPATCH + NON DISPATCH

ALBANY MSA



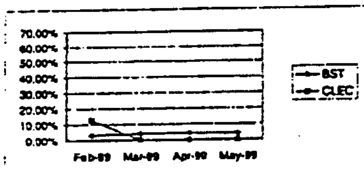
	Feb-99	Mar-99	Apr-99	May-99
BST	9.52%	3.82%	2.00%	1.23%
Volume	63	131	100	81
CLEC		0.00%	0.00%	0.00%
Volume		3	2	1
Balanced Z				

ATHENS MSA



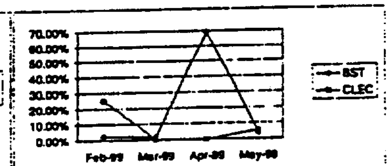
	Feb-99	Mar-99	Apr-99	May-99
BST	0.00%	2.94%	0.00%	6.02%
Volume	51	68	116	83
CLEC			0.00%	
Volume			1	
Balanced Z				

ATLANTA MSA



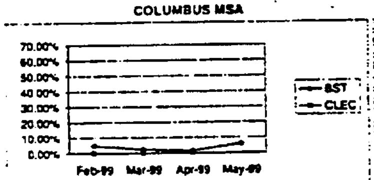
	Feb-99	Mar-99	Apr-99	May-99
BST	3.16%	4.18%	4.39%	4.13%
Volume	1581	2176	2276	2564
CLEC	12.50%	0.00%	0.00%	0.00%
Volume	8	9	10	14
Balanced Z				

AUGUSTA MSA



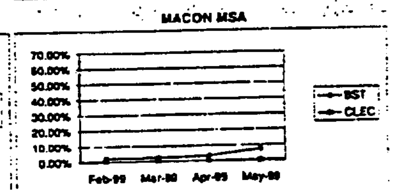
	Feb-99	Mar-99	Apr-99	May-99
BST	2.45%	1.82%	69.00%	3.82%
Volume	163	165	145	131
CLEC	25.00%	0.00%	0.00%	5.56%
Volume	4	8	12	18
Balanced Z				

COLUMBUS MSA



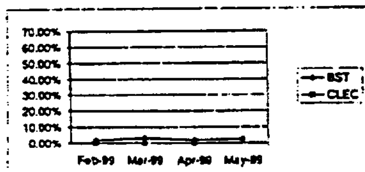
	Feb-99	Mar-99	Apr-99	May-99
BST	4.85%	2.41%	1.50%	5.96%
Volume	103	83	133	151
CLEC			0.00%	
Volume			1	
Balanced Z				

MACON MSA



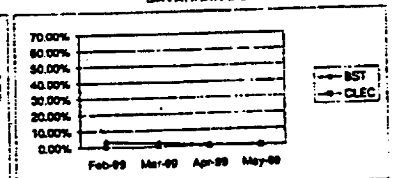
	Feb-99	Mar-99	Apr-99	May-99
BST	2.15%	2.31%	3.11%	7.43%
Volume	93	130	161	148
CLEC	0.00%	0.00%	0.00%	0.00%
Volume	4	5	1	2
Balanced Z				

OUTSIDE MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	1.93%	3.27%	2.10%	2.59%
Volume	207	275	286	347
CLEC	0.00%	0.00%	0.00%	
Volume	2	1	5	
Balanced Z				

SAVANNAH MSA



	Feb-99	Mar-99	Apr-99	May-99
BST	3.39%	2.08%	0.83%	0.00%
Volume	118	144	120	123
CLEC	0.00%	0.00%	0.00%	0.00%
Volume	3	6	4	2
Balanced Z				

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 8 of 77

BellSouth's Second Proposal for Voluntary Self Effectuating Enforcement Mechanisms (VSEEM II) FCC discussion

6/17/1999

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 9 of 77

Definitions:

Tier-1 Payment = Δ_z * Volume * $$

Tier-2 Payment = $\dfrac{[(\Delta_{z1} * \text{Volume}_1) + (\Delta_{z2} * \text{Volume}_2) + (\Delta_{z3} * \text{Volume}_3)]}{3} * \$\$$

"% to Z" is the Mean, Percent or Rate that would yield a performance result equal to the Critical Value

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Ex A: Percent Missed Due Dates (Tier -1 and Tier-2)

	BST	CLEC1 .	% to Z	Δ_z	Volume
Month1	5%	6%	-	-	300
Month2	6%	10%	8%	2%	400
Month3	4%	8%	5%	3%	500
Month4	5%	9%	7%	2%	600

	Month1	Month2	Month3	Month4
Tier-1 Payment	-	2 * 400 * $$	3 * 500 * $$	2 * 600 * $$
Tier-2 Payment				1167 * $$

VSEEM II
Desired Characteristics

- Not applied until after 271 approval in a specific state
- Designed to prevent BST "backsliding" on CLEC service
- Legally binding (implement through contracts)
- Enforcement mechanisms will be "Meaningful" and "Significant"
- Limited number of measurements, modeled on SWBT's Tier 1 and Tier 2 "High" measurements
- Statistical or "bright line" test to easily verify "parity"
- CLECs retain rights to file complaints with PSC or FCC

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 11 of 77

VSEEM II Proposal

- 24 key measures of Timeliness or Quality
- Each measure is tested vs. a retail analog, where applicable
- Benchmarks will be established where no retail analog exists
- A balanced method for statistical validation is included.
- Six CLEC product groups are offered as subcategories (Resale POTS; Resale Design; UNE Loop+Port Combinations; UNE Loops; LNP; and Trunking
- Tier-1 Enforcement Mechanisms are derived from the concept of liquidated damages and are paid directly to the CLECs, while Tier-2 Enforcement Mechanisms are paid directly to the PSC or their designated agency.

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Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 12 of 77

VSEEM II Proposal

- Enforcement mechanisms are "triggered" by a parity or benchmark miss in any of the 24 measurements. A test statistic is provided at the MSA level, on an individual CLEC basis for all key measures; provided a statistically valid sample exist.

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Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 13 of 77

VSEEM II Proposal

EXAMPLE:

Definitions:

Tier-1 Payment = Δ_z * Volume * $$

Tier-2 Payment = $\dfrac{[(\Delta_{z1} * \text{Volume}_1) + (\Delta_{z2} * \text{Volume}_2) + (\Delta_{z3} * \text{Volume}_3)]}{3}$

"% to Z" is the Mean, Percent or Rate that would yield a performance result equal to the Critica

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Ex A: Percent Missed Due Dates (Tier -1 and Tier-2)

	BST	CLEC1	% to Z	Δz
Month1	5%	6%	-	-
Month2	6%	10%	8%	2%
Month3	4%	8%	5%	3%
Month4	5%	9%	7%	2%

	Month1	Month2	Month3	Month4
Tier-1 Payment	-	.02 * 400 * $$	.03 * 500 * $$	.02 * 600 * $$
Tier-2 Payment				13.7 * $$

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Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 14 of 77

Self Effectuating Enforcement Mechanisms
Summary

- BellSouth's proposal meets all the criteria discussed in our previous meetings
  - "Meaningful" and "Significant"
  - Reasonable number of measurements
  - Outcome Oriented
  - Statistical or "bright line" test to easily verify "parity"

- The proposed measures are simpler and present a more understandable picture of the effect on a CLEC's customer than those enacted or proposed by other ILECs

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Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 15 of 77

Measures	Pre-Ordering (4)	Pre-Ordering: OSS Interface Availability OSS Interface Response Time Percent Response Received within "X" sec *Percent Flow-Through*
	Ordering (2)	Ordering: FOC Timeliness for Mechanized Orders Reject Timeliness for Mechanized Orders
	Provisioning (4)	Provisioning: *Average Order Completion Interval* *Order Completion Interval Distribution* Percent Missed Installation Appointments Percent Troubles within 4 Days of Installation
	Maintenance and Repair (4)	Maintenance and Repair: Mean Average Duration Percent Missed Repair Appointments Customer Trouble Report Rate Repeat Troubles within 30 Days
	Trunk Blockage (2)	Trunk Blockage: Percent End-Office Trunk Blockage Common Transport Trunk Blockage
	LNP (2)	*LNP*: *Disconnect Timeliness* *Percent Missed Installation Appointments*
	Coordinated Customer Conversions (1)	Coordinated Customer Conversions
	Collocation (1)	Collocation: Percent Due Dates Missed
	Billing (4)	Billing: Invoice Timeliness Invoice Accuracy Usage Data Delivery Timeliness Usage Data Delivery Accuracy *Italicized measures are either underdevelopment or have been modified, and will require 90-days of data to be collected before being placed in remedy pool.*
Reporting		CLEC Specific CLEC Aggregate BST Aggregate MSA Level Mode of Entry Product Type Field Work Activity (for POTS and UNE Loop & Port Combinations)
Standards	Parity Benchmarks	Parity is the Standard. Statistical testing will only be applied to those measures in the remedy plan. Benchmarks will apply to processes or entry modes where there is no retail analogue.
Parity Model	Jackknife Modified-Z Considering Adjusted LCUG Modified-Z with a Balancing Critical Value	Statistical tests will be performed for each CLEC at the sub-state level for each MSA, mode of entry, product type and field work activity. Statistical test results will be reported for each CLEC at the MSA level only when a statistically valid sample ($n \geq 30$) exists. Results will also be provided at the Aggregate level.

Damages and [illegible]essments	Self-Executing Based on performance gaps and variation exceeding a balancing critical value Methodology for Balancing Critical Value to be Negotiated Alternative Hypothesis to be established by the Commission	• Two-Tiered Structure Tier-1: Payable to CLECs based on Monthly Individual CLEC performance. Processes include: Ordering Maintenance and Repair Trunk Blockage LNP Coordinated Customer Conversions Collocation Tier-2: Payable to the State Commission based on Quarterly CLEC Industry performance. Processes include all of Tier-1 plus: Pre-Ordering Billing • Damages and Assessments will escalate with repeated consecutive failures.

BST PROPOSAL ENHANCEMENTS (6_99)

Process	Measures	SWBT SQM	SWBT "High" Tiers: Resale POTS, Resale Specials and UNES	SWBT "High" Tiers: Resale POTS and UNE Loop & Port Combo	SWBT "High" Tiers: Resale Specials and UNE Loop & Port Combo	SWBT "High" Tiers: UNEs	SWBT "High" Tiers: IC Trunks	SWBT "High" Tiers: LNP	SWBT "High" Tiers: Other	VSEEM II: Resale POTS	VSEEM II: Resale Design	VSEEM II: UNE Loop & Port Combo	VSEEM II: UNE Loops	VSEEM II: IC Trunks	VSEEM II: LNP	VSEEM II: Other	VSEEM I	BST SQM
Pre-Ordering	Average Response Interval	X																
	Percent Response Received within "X" sec	X														Tier-2		X
	OSS Interface Availability	X														Tier-2		X
	Order Process Percent Flow-Through	X							Tier-2							Tier-2	X	X
	EASE Average Response Time	X							Tier-2							Tier-2		X
Ordering	Percent FOC Received within "X" hrs	X																
	FOC Timeliness / Average Time to Return FOC	X														Tier-1 Mech		
	Speed of Answer in Ordering Center																	X
	Percent Orders Rejected	X																X
	Percent Mechanized Rejects Returned within 1 hr	X																X
	Average Reject Interval / Mean Time To Return Mechanized Rejects	X														Tier-1 Mech		
Provisioning	Mechanized Provisioning Accuracy	X																X
	Mean (Average) Installation Interval	X	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2		Tier-1 and Tier-2											
	Average Order Completion Interval									Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2		Tier-1 and Tier-2				X
	Percent Installations Completed within "X" Days	X				Tier-1 and Tier-2							Tier-1 and Tier-2					
	Average Jeopardy Interval																	X
	Percent Orders Given Jeopardy Notices																	X
	Average Held Order Interval																	X
	Held Order Interval Distribution																	X
	Percent Missed Installation Appointments / Percent Company Caused Missed Due Dates	X	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2				Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2					X
	Percent Company Missed Due Dates Due to Lack of Facilities	X															X	X
	Average Delay Days for Missed Due Dates Due to Lack of Facilities	X																
	Average Delay Days for Company Missed Due Dates	X																
	Percent Company Caused Missed Due Dates > 30 days	X																
	Count of Orders Canceled After the Due Date which were Company Caused	X																
	Average Time to Return Mechanized Completions / Average Completion Notice Interval	X																
	Percent Mechanized Completions Returned within 1 hr	X																X
	Average Response Time for Loop Make-Up Information	X																
	Percent Provisioning Troubles within "X" Days of Installation	X	Tier-1 and Tier-2 (10 days)	Tier-1 and Tier-2 (10 days)	Tier-1 and Tier-2 (30 days)	Tier-1 and Tier-2 (30 days)				Tier-1 and Tier-2 (4 days)	Tier-1 and Tier-2 (4 days)	Tier-1 and Tier-2 (4 days)	Tier-1 and Tier-2 (4 days)					
	Percent No Access (Trouble Reports with no Access)	X															X	X

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1

BST PROPOSAL ENHANCEMENTS (6_99)

ess	Measures	SWBT SQM	SWBT "High" Tiers: Resale POTS, Resale Specials and UNES	Resale POTS and UNE Loop & Port Combo	Resale Specials and UNE Loop & Port Combo	UNEs	IC Trunks	LNP	Other	VSEEM II: Resale POTS	Resale Design	UNE Loop & Port Combo	UNE Loops	IC Trunks	LNP	Other	VSEEM I	BST SQM
[illegible]tenance	Customer Trouble Report Rate	X		Tier-1 and Tier-2		Tier-1 and Tier-2				Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2					X
	Percent Missed Repair Commitments / Percent Company Caused Missed Repair Appointments	X		Tier-1 and Tier-2		Tier-1 and Tier-2				Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2				X	X
	Maintenance Average Duration / Receipt to Clear Duration / Average Trunk Restoration Interval	X		Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2				Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2				X
	Out Of Service > 24 hrs / Out of Service < 24 hrs	X																X
	Percent Repeat Troubles within 30 days	X		Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2				Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2	Tier-1 and Tier-2				X	X
	Percent No Access	X																
	Failure Frequency	X																
	OSS Interface Availability																	X
	Average OSS Response Interval																	X
	Average Answer Speed - Repair																	X
[illegible]	Billing Accuracy / Invoice Accuracy	X														Tier-2		X
	Percent of Accurate and Complete Formatted Mechanized Bills	X							Tier-2									
	Percent of Billing Records Transmitted Correctly	X																
	Billing Completeness	X																
	Billing Timeliness (Wholesale Bills) / Invoice Timeliness (Mean Time To Deliver Invoices)	X							Tier-2							Tier-2	X	X
	Daily Usage Feed Timeliness / Usage Data Delivery Timeliness	X														Tier-2	X	X
	Usage Data Delivery Accuracy															Tier-2		X
	Usage Data Delivery Completeness																	X
	Unbillable Usage	X																
Blockage	Percent Trunk Blockage / Percent End-Office Trunk Blockage	X					Tier-1 and Tier-2							Tier-1 and Tier-2			X	X
	Common Transport Trunk Blockage	X					Tier-2							Tier-2				X
	Distribution of Common Transport Trunk Groups Exceeding 2%	X																
	Average Trunk Restoration Interval for Service Affecting Trunk Groups	X					Tier-1 and Tier-2							*See Maint Average Duration*				
[illegible]	Percent Installation Completed within "X" Business Days, where "X" is 3,7,10 days	X																
	Average INP Installation Interval	X																
	Percent INP Trouble Reports within 30 days	X																
	Percent Missed Due Dates	X																

BST PROPOSAL ENHANCEMENTS (6_99)

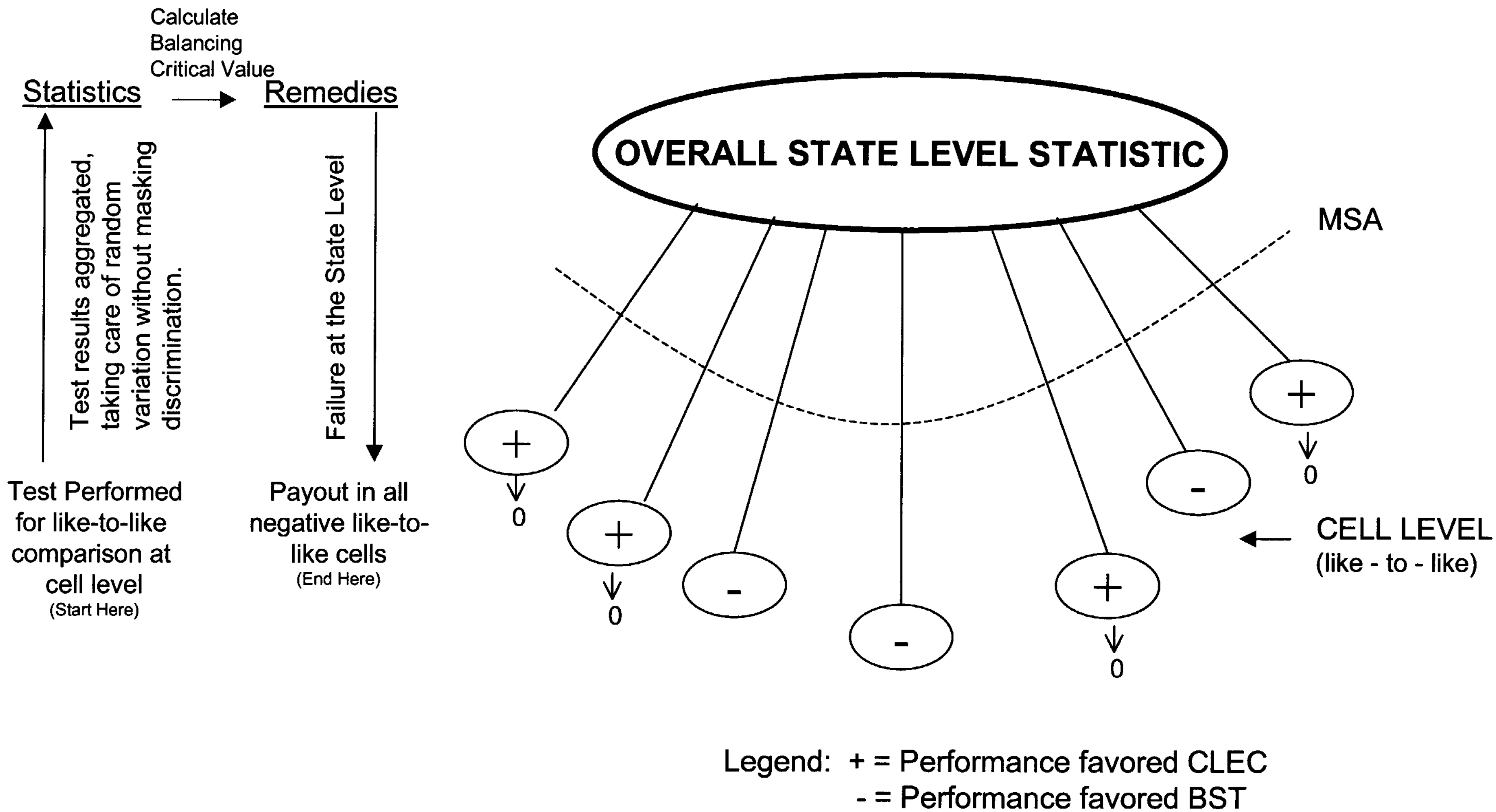
			SWBT "High" Tiers							VSEEM II								
Iss	Measures	SWBT SQM	Resale POTS, Resale Specials and UNES	Resale POTS and UNE Loop & Port Combo	Resale Specials and UNE Loop & Port Combo	UNEs	IC Trunks	LNP	Other	Resale POTS	Resale Design	UNE Loop & Port Combo	UNE Loops	IC Trunks	LNP	Other	VSEEM I	BST SQM
	Percent LNP Due Dates within Industry Guidelines	X																
	Percent of Time the Old Service Provde Releases Subscription prior to the Expiration of the Second 9 hour timer	X																
	Percent of Customer Account Restructured prior to LNP Due Date	X																
	Percent FOCs Received within "X" hours	X																
	FOC Timeliness (Mech and Non-Mech)																	New
	Average Response Time for Non-Mechanized Rejects Returned with Complete and Accurate Codes	X																
	Percent Rejected LSRs (Mech and Non-Mech)																	New
	Percent Premature Disconnects for LNP Orders	X																
	Percent of Time Company Applies the 10-digit trigger prior to the LNP Order Due Date	X						Tier-1 and Tier-2										
	Percent LNP Trouble Reports within 10 days	X						Tier-1 and Tier-2 (10 days)										
	Average Delay Days for Company Missed Due Dates	X																
	Average Time Out of Service for LNP Conversions	X						Tier-1 and Tier-2							See Coordinated Customer Conversions			
	Percent Out of Service < 60 minutes	X																
	Average Time To Activate Port / Disconnect Timeliness	X													Tier-1 and Tier-2			New
	Percent Flow-Through - Mech LSRs																	New
	Percent Missed Installation Appointment														Tier-1 and Tier-2			New
	Total Service Order Cycle Time																	New
	Percent Missed Collocation Due Dates	X							Tier-1 and Tier-2							Tier-1 and Tier-2	X	X
	Average Delay Days for Company Missed Due Dates	X																
	Percent of Requests processed within the Tariff Timelines	X																
	Average Response Time																	X
	Average Arrangement Time																	X

Page 3 of 4

BST PROPOSAL ENHANCEMENTS (8_99)

Process	Measures	SWBT SQM	SWBT "High" Tiers: Resale POTS, Resale Specials and UNEs	SWBT "High" Tiers: Resale POTS and UNE Loop & Port Combo	SWBT "High" Tiers: Resale Specials and UNE Loop & Port Combo	SWBT "High" Tiers: UNEs	SWBT "High" Tiers: IC Trunks	SWBT "High" Tiers: LNP	SWBT "High" Tiers: Other	VSEEM II: Resale POTS	VSEEM II: Resale Design	VSEEM II: UNE Loop & Port Combo	VSEEM II: UNE Loops	VSEEM II: IC Trunks	VSEEM II: LNP	VSEEM II: Other	VSEEM I	BST SQM
DA	Percent of Updates Completed into the DA Dbase within 72hrs for facility-based CLECs	X																
	Average Update Interval for DA Dbase for facility-based CLECs	X																
	Percent DA Dbase Accuracy for Manual Updates	X																
	Percent of Electronic Updates that flow-through the DSR without manual intervention	X																X
	Average Speed to Answer	X																
	Percent Answered within "X" Seconds / Grade of Service	X																X
	Percent Calls Abandoned	X																
	Percent Calls Deflected	X																
	Average Work Time	X																
	Non-Call Busy Work Hours	X																
ordinated nversions	Percent Pre-Mature Disconnects	X							Tier-1 and Tier-2				Tier-1 and Tier-2		Tier-1 and Tier-2			X
	Customer Coordinated Conversions																	
	Percent Company Caused Delays	X																
	Percent Missed Mechanized INP Conversions	X																
X	Percent NXXs Loaded and Tested prior to the LERG Effective Date	X							Tier-1 and Tier-2									
	Average Delay Days for NXX Loading and Testing	X							Tier-1 and Tier-2									
	Mean Time To Repair	X																
na Fide quest	Percent of Requests Processed within 45 Business Days	X																
	Percent of Quotes Provided for Authorized BFRs within 30 Business Days	X							Tier-1 and Tier-2									
les, Conduit and ghts of Way	Percent of Requests Processed within 35 Days	X																
	Average Days Required to Process a Request	X																
11	Average Time To Clear Errors	X																X
	Percent Accuracy for 911 Dbase Updates	X																X
	Average Time Required to Update 911 Dbase / Mean Update Interval	X																X
	Percent Dbase Updates within 24 hours																	
cellaneous ministration	LSC Average Speed of Answer	X							Tier-2									
	LSC Grade of Service	X																
	Percent Busy in the Local Service Center	X																
	LOC Average Speed of Answer	X							Tier-2									
	LOC Grade of Service	X																
	Percent Busy in the LOC	X																

Remedy Payout Diagram



BEFORE THE

LOUISIANA PUBLIC SERVICE COMMISSION
Ex Parte

In Re: BellSouth Telecommunications, Inc. Service Quality Performance Measurements	* * * *	Docket U-22252 Subdocket C

****

BELLSOUTH'S AUGUST 30, 1999 FILING

The August 5, 1999 Revised Procedural Schedule issued by the Staff calls for the parties to file specific penalty proposals on August 30, 1999. Accordingly, attached are the following documents:

Exhibit A – BellSouth Enforcement Measurements;
Exhibit B – Retail Analogues/Benchmarks;
Exhibit C – Statistical Methods for BellSouth Performance Measure Analysis;
Exhibit D – BST VSEEMS Remedy Procedure;
Exhibit E – Liquidated Damages, Voluntary Payments & Annual Enforcement Mechanism Caps;
Exhibit F – Service Performance Measurement and Enforcement Mechanisms.

Respectfully submitted, this 30th day of August, 1999.

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ATTORNEYS FOR BELLSOUTH TELECOMMUNICATIONS, INC.

CERTIFICATE OF SERVICE

This is to certify that a copy of this pleading has been served upon all parties of record by Federal Express on this 30th day of August, 1999.

____

Service Performance Measurements And Enforcement Mechanisms

1. Scope

This Attachment includes Enforcement Measurements with corresponding Enforcement Mechanisms applicable to this Agreement.

2. Reporting

2.1 In providing services pursuant to this Agreement, BellSouth will report its Enforcement Measurements, which are contained in this Attachment as Exhibit A.

2.2 BellSouth will make performance reports available to CLEC-1 on a monthly basis. The reports will contain information collected in each performance category and will be available to CLEC-1 through some electronic medium to be determined by BellSouth. BellSouth will also provide electronic access to the raw data underlying the performance measurements. Within 30 days of execution of this Agreement, BellSouth will provide a detailed session of instruction to CLEC-1 regarding access to the reports and to the raw data as well as the nature of the format of the data provided.

3. Enforcement Mechanisms

3.1 Purpose

This section establishes meaningful and significant enforcement mechanisms voluntarily provided by BellSouth to verify and maintain compliance between BellSouth and CLEC-1's operations as well as to maintain access to Operational Support System (OSS) functions. This section provides the terms and conditions for the self-effectuating enforcement mechanisms.

3.2 Effective Date

The enforcement mechanisms set forth in this section shall only become effective upon an effective FCC order, which has not been stayed, authorizing BellSouth to provide interLATA telecommunications services under section 271 of the Act within a particular state and shall only apply to BellSouth's performance in any state in which the FCC has granted BellSouth interLATA authority.

3.3 Definitions

3.3.1 Enforcement Measurement Elements means the performance measurements set forth in Exhibit A, attached hereto and incorporated herein by this reference.

3.3.2 Enforcement Measurement Benchmark means a competitive level of performance set by BellSouth used to compare the performance of BellSouth and CLEC-1 where no analogous process, product or service is feasible. See Exhibit B.

3.3.3 Enforcement Measurement Compliance means comparing performance levels provided to BellSouth retail customers with performance levels provided by BellSouth to the CLEC customer. See Exhibit B.

3.3.4 Test Statistic and Balancing Critical Value is the means by which enforcement will be determine using statistically valid equations. See Exhibit C

3.3.5 Affected Volume means those items where service commitments were missed.

3.3.6 Tier-1 Enforcement Mechanisms means self-executing liquidated damages paid directly to CLEC-1 when BellSouth delivers non-compliant performance of any one of the Enforcement Measurement Elements as calculated by BellSouth.

3.3.7 Tier-2 Enforcement Mechanisms means Assessments paid directly to a state Public Service Commission ("Commission") or its designee, when BellSouth performance is out of compliance or does not meet the benchmarks for three consecutive months in a quarter for the aggregate of all CLEC data as calculated by BellSouth for a particular Enforcement Measurement Element.

3.4 Application

3.4.1 The application of the Tier-1 and Tier-2 Enforcement Mechanisms does not foreclose other non-contractual legal and regulatory claims and remedies available to CLEC-1.

3.4.2 Proof of damages resulting from BellSouth's failure to maintain Enforcement Measurement Compliance would be difficult to ascertain and, therefore, liquidated damages are a reasonable approximation of any

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page26 of 77

contractual damage. Liquidated damages under this provision are not intended to be a penalty.

3.5 Methodology

3.5.1 Tier-1 Enforcement Mechanisms will be triggered by BellSouth's failure to achieve Enforcement Measurement Compliance or Enforcement Measurement Benchmarks for the State for a given Enforcement Measurement Element in a given month based upon a test statistic and balancing critical value calculated by BellSouth utilizing BellSouth generated data. The method of calculation is attached hereto as Exhibit D and incorporated herein by this reference.

3.5.1.1 Tier-1 Enforcement Mechanisms apply on a per occurrence basis for each MSA and will escalate based upon the number of consecutive months that BellSouth has reported non-compliance.

3.5.1.2 Fee Schedule for Tier-1 Enforcement Mechanisms is shown in Table-1 attached hereto as Exhibit E and incorporated herein by this reference.

3.5.2 Tier-2 Enforcement Mechanisms will be triggered by BellSouth's failure to achieve Enforcement Measurement Compliance or Enforcement Measurement Benchmarks for the State in a given calendar quarter based upon a statistically valid equation calculated by BellSouth utilizing BellSouth generated data. The method of calculation is attached hereto as Exhibit D and incorporated herein by reference.

3.5.2.1 Tier- 2 Enforcement Mechanisms apply on a per occurrence basis for an aggregate of all CLEC data generated by BellSouth for a particular Enforcement Measurement Element.

3.5.2.2 Fee Schedule for Total Quarterly Tier-2 Enforcement Mechanisms is show in Table-2 attached hereto as Exhibit E and incorporated herein by this reference.

3.6 Payment of Tier-1 and Tier-2 Amounts

3.6.1 If BellSouth performance triggers an obligation to pay Tier-1 Enforcement Mechanisms to CLEC-1 or an obligation to remit Tier-2 Enforcement Mechanisms to the Commission, BellSouth shall make payment in the required amount on or before the 30th day following the due date of the performance measurement report for the month in which the obligation arose.

3.6.2 For each day after the due date that BellSouth fails to pay CLEC-1 the required amount, BellSouth will pay interest to CLEC-1 at the maximum rate permitted by state law.

3.6.3 For each day after the due date that BellSouth fails to pay the Tier-2 Enforcement Mechanisms, BellSouth will pay the Commission an additional $1,000 per day.

3.8 Limitations of Liability

3.8.1 BellSouth will not be responsible for CLEC-1 acts or omissions that cause performance measures to be missed or fail, including but not limited to accumulation and submission of orders at unreasonable quantities or times or failure to submit accurate orders or inquiries. BellSouth shall provide CLEC-1 with reasonable notice of such acts or omissions and provide CLEC any such supporting documentation.

3.8.2 BellSouth shall not be obligated to pay Tier-1 Enforcement Mechanisms or Tier-2 Enforcement Mechanisms for non-compliance with a performance measure if such non-compliance was the result of an act or omission by CLEC-1 that is in bad faith.

3.8.3 BellSouth shall not be obligated to pay Tier-1 Enforcement Mechanisms or Tier-2 Enforcement Mechanism for non-compliance with a performance measurement if such non-compliance was the result of any of the following: a Force Majeure event as set forth in the General Terms and Conditions of this Agreement; an act or omission by CLEC-1 that is contrary to any of its obligations under its Interconnection Agreement with BellSouth; an act or omission by CLEC-1 that is contrary to any of its obligations under the Act, Commission rule, or state law; an act or omission associated with third-party systems or equipment; or any occurrence that results from an incident reasonably related to the Y2K problem.

3.8.4 It is not the intent of the Parties that BellSouth be liable for both Tier-2 Enforcement Mechanisms and any other assessments or sanctions imposed by the Commission. CLEC-1 will not oppose any effort by BellSouth to set off Tier-2 Enforcement Mechanisms from any additional assessment imposed by the Commission.

3.8.5 Payment of any Tier-1 or Tier-2 Enforcement Mechanisms shall not be considered as an admission against interest or an admission of liability or culpability in any legal, regulatory or other proceeding relating to BellSouth's performance. The payment of any Tier-1 Enforcement

Mechanisms to CLEC-1 shall release BellSouth for any liability associated with or related to the service performance measurement for the month for which the Enforcement Mechanisms was paid to CLEC-1.

3.8.6 CLEC-1 acknowledges and argues that the Enforcement Mechanisms contained in this attachment have been provided by BellSouth on a completely voluntary basis in order to maintain compliance between BellSouth and CLEC-1. Therefore, CLEC-1 may not use the existence of this section or any payments of any Tier-1 or Tier-2 Enforcement Mechanisms under this section as evidence that BellSouth has not complied with or has violated any state or federal law or regulation.

3.9 Enforcement Mechanism Caps

3.9.1 BellSouth's liability for the payment of Tier-1 and Tier-2 Enforcement Mechanisms shall be collectively capped at $120M per year for the entire BellSouth region. See Exhibit F.

3.9.2 If BellSouth's liability for the payment of Tier-1 and Tier-2 Enforcement Mechanisms exceed the caps referenced in this attachment. CLEC-1 may commence a proceeding with the Commission to demonstrate why BellSouth should pay any amount in excess of the cap. CLEC-1 shall have the burden of proof to demonstrate why, under the circumstances, BellSouth should have additional liability.

3.10 Dispute Resolution

3.10.1 Any dispute regarding BellSouth's performance under this section shall be resolved with the Commission through the dispute resolution procedure set forth in Section 12 of the General Terms and Conditions of this Agreement, or, if the parties agree, through commercial arbitration with the CPR Institute for Dispute Resolution.

EXHIBIT A

ENFORCEMENT MEASUREMENTS
TABLE OF CONTENTS

* These reports are subject to change due to regulatory requirements or to correct errors and etc.

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 31 of 77

PRE-ORDERING - OSS

Report/Measurement:	
Percent Response Received within "X" seconds	
Definition:	
Proportion of requests responded to within certain intervals for accessing legacy data associated with appointment scheduling, service & feature availability, address verification, request for Telephone Numbers (TNs), and Customer Service Records (CSRs).	
Exclusions:	
None	
Business Rules:	
The response interval starts when the client application (LENS or TAG for CLECs and RNS for BST) submits a request to the legacy system and ends when the appropriate response is returned to the client application. The number of legacy accesses during the reporting period, which take less than 2.3 seconds and the number, which take more than 6 seconds are also captured.	
Level of Disaggregation:	
• Region	
Calculation:	
Σ[(Date & Time of Legacy Response) – (Date & Time of Request to Legacy)] / (Number of Legacy Requests During the Reporting Period) X 100	
Report Structure:	
• CLEC Aggregate	
Data Retained Relating to CLEC Experience:	**Data Retained Relating to BST Performance:**
• Report Month • Legacy Contract (per reporting dimension) • Response Interval • Regional Scope	• Report Month • Legacy Contract (per reporting dimension) • Response Interval • Regional Scope
Retail Analog/Benchmark	
Retail Analog	

Revision date: 08/18/99 (vb)

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 32 of 77

PRE-ORDERING

Report/Measurement:	
OSS Interface Availability	
Definition:	
Percent of time OSS interface is functionally available compared to scheduled availability. Availability percentages for CLEC interface systems and for all Legacy systems accessed by them are captured	
Exclusions:	
None	
Business Rules:	
This measurement captures the availability percentages for the BST systems, which are used by CLECs during Pre-Ordering functions. Comparison to BST results allow conclusions as to whether an equal opportunity exists for the CLEC to deliver a comparable customer experience.	
Level of Disaggregation:	
• Regional Level	
Calculation:	
(Functional Availability) / (Scheduled Availability) X 100	
Report Structure:	
• CLEC Aggregate	
Data Retained Relating to CLEC Experience	**Data Retained Relating to BST Experience**
• Report Month • Legacy contract type (per reporting dimension) • Regional Scope	• Report Month • Legacy contract type (per reporting dimension) • Regional Scope
Retail Analog/Benchmark:	
Retail Analog	

Revision date: 08/25/99 (vb)

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 33 of 77

ORDERING

Report/Measurement:
Percent Flow Through Service Requests (Summary)
Definition:
The percentage of Local Service Requests (LSR) submitted electronically via the CLEC mechanized ordering process that flow through to the BellSouth Telecommunications' (BST) Operations Support Systems (OSS) without manual intervention
Exclusions:
• Fatal Rejects • Auto Clarification • Manual Fallout • CLEC System Fallout
Business Rules:

The CLEC mechanized ordering process includes all LSRs, which are submitted through one of the three gateway interfaces (TAG, EDI, and LENS), and flow through to SOCS without manual intervention. These LSRs can be divided into two classes of service; Business and Residence, and two types of service: Resale and Unbundled Network Elements (UNE). The CLEC mechanized ordering process does not include LSRs, which are, submitted manually (e.g., fax, and courier), or are not designed to flow through, i.e., Manual Fallout.

Definitions:

Fatal Rejects: Errors that prevent an LSR, submitted by the CLEC, from being processed further. When an LSR is submitted by a CLEC, LEO will perform edit checks to ensure the data received is correctly formatted and complete. For example, if the PON field contains an invalid character, LEO will reject the LSR and the CLEC will receive a Fatal Reject.

Auto-Clarification: errors that occur due to invalid data within the LSR. LESOG will perform data validity checks to ensure the data within the LSR is correct and valid. For example, if the address on the LSR is not valid according to RSAG, the CLEC will receive an Auto-Clarification.

Manual Fallout: errors that occur by design. Certain LSRs are designed to fallout of the Mechanized Order Process due to their complexity. These LSRs are manually processed by the LCSC. When a CLEC submits an LSR, LESOG will determine if the LSR should be forwarded to LCSC for manual handling. Following are the categories for Manual Fallout.

1. Complex services*
2. Expedites (requested by the CLEC)
3. Special pricing plans
4. Denials-restore and conversion, or disconnect and conversion orders
5. Partial migrations
6. Class of service invalid in certain states with some types of service
7. New telephone number not yet posted to BOCRIS
8. Low volume such as activity type "T" (move)
9. Pending order review required
10. More than 25 business lines
11. Restore or suspend for UNE combos
12. Transfer of calls option for the CLEC's end users
13. CSR inaccuracies such as invalid or missing CSR data in CRIS

* Attached is a list of services, including complex services, and whether LSRs issued for the services are eligible to flow through.

Total System Fallout: Errors that require manual review by the LCSC to determine if the error is caused by the CLEC, or is due to system functionality. If it is determined the error is caused by the CLEC, the LSR will be sent back to the CLEC as clarification. If it is determined the error is BST caused, the LCSC representative will correct the error.

ORDERING – (Percent Flow Through Service Requests (Summary) – Continued)

Calculation:	
Percent Flow Through Service Requests = Σ[(Total number of valid service requests that flow-through to the BST OSS)] / (Total number of valid service requests delivered to the BST OSS) X 100 Description: Percent Flow Through = (The total number of LSRs that flow through LESOG to the BST OSS) / (the number of LSRs passed from LEO to LESOG) – Σ[(the number of LSRs that fall out for manual processing) + (the number of LSRs that are returned to the CLEC for clarification) + (the number of LSRs that contain errors made by CLECs)] X 100.	
Report Structure:	
• CLEC Specific • CLEC Aggregate	
Level of Disaggregation:	
• Region	
Data Retained Relating to CLEC Experience	**Data Retained Relating to BST Experience**
• Report month • Total number of LSRs received, by interface, by CLEC: ➤ TAG ➤ EDI ➤ LENS • Total number of errors by type, by CLEC: ➤ Fatal rejects ➤ Total fallout for manual processing ➤ Auto clarification ➤ CLEC caused system fallout • Total number of errors by error code	
Retail Analog/Benchmark:	
Benchmark	

Revision Date: 08/18/99 (vb)

ORDERING

Report/Measurement:
Percent Flow Through Service Requests (Detail)
Definition:
A detailed list by CLEC of the percentage of Local Service Requests (LSR) submitted electronically via the CLEC mechanized ordering process that flow through to the BellSouth Telecommunications' (BST) Operations Support Systems (OSS) without manual or human intervention.
Exclusions:
• Fatal Rejects • Auto Clarification • Manual Fallout • CLEC System Fallout
Business Rules:
The CLEC mechanized ordering process includes all LSRs, which are submitted through one of the three gateway interfaces (TAG, EDI, and LENS), and flow through to SOCS without manual intervention. These LSRs can be divided into two classes of service: Business and Residence, and two types of service: Resale and Unbundled Network Elements (UNE). The CLEC mechanized ordering process does not include LSRs, which are, submitted manually (e.g., fax, and courier), or are not designed to flow through, i.e., Manual Fallout. **Definitions:** Fatal Rejects: Errors that prevent an LSR, submitted by the CLEC, from being processed further. When an LSR is submitted by a CLEC, LEO will perform edit checks to ensure the data received is correctly formatted and complete. For example, if the PON field contains an invalid character, LEO will reject the LSR and the CLEC will receive a Fatal Reject. Auto-Clarification: errors that occur due to invalid data within the LSR. LESOG will perform data validity checks to ensure the data within the LSR is correct and valid. For example, if the address on the LSR is not valid according to RSAG, the CLEC will receive an Auto-Clarification. Manual Fallout: errors that occur by design. Certain LSRs are designed to fallout of the Mechanized Order Process due to their complexity. These LSRs are manually processed by the LCSC. When a CLEC submits an LSR, LESOG will determine if the LSR should be forwarded to LCSC for manual handling. Following are the categories for Manual Fallout: 1. Complex services* 2. Expedites (requested by the CLEC) 3. Special pricing plans 4. Denials-restore and conversion, or disconnect and conversion orders 5. Partial migrations 6. Class of service invalid in certain states with some types of service 7. New telephone number not yet posted to BOCRIS 8. Low volume such as activity type "T" (move) 9. Pending order review required 10. More than 25 business lines 11. Restore or suspend for UNE combos 12. Transfer of calls option for the CLEC's end users 13. CSR inaccuracies such as invalid or missing CSR data in CRIS *Attached is a list of services, including complex services, and whether LSRs issued for the services are eligible to flow through. Total System Fallout: Errors that require manual review by the LCSC to determine if the error is caused by the CLEC, or is due to system functionality. If it is determined the error is caused by the CLEC, the LSR will be sent back to the CLEC as clarification. If it is determined the error is BST caused, the LCSC representative will correct the error.

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page36 of 77

ORDERING – (Percent Flow Through Service Requests (Detail) – Continued)

Calculation:

Percent Flow Through Service Requests = (Total number of valid service requests that flow-through to the BST OSS) / (Total number of valid service requests delivered to the BST OSS) X 100

Description:

Percent Flow Through = The total number of LSRs that flow through LESOG to the BST OSS / (the number of LSRs passed from LEO to LESOG) – Σ[(the number of LSRs that fall out for manual processing + the number of LSRs that are returned to the CLEC for clarification + the number of LSRs that contain errors made by CLECs)] X 100.

Report Structure:

- Provides the flow through percentage for each CLEC (by alias designation) submitting LSRs through the CLEC mechanized ordering process. The report provides the following:
  - CLEC (by alias designation)
  - Number of fatal rejects
  - Mechanized interface used
  - Total mechanized LSRs
  - Total manual fallout
  - Number of auto clarifications returned to CLEC
  - Number of validated LSRs
  - Number of BST caused fallout
  - Number of CLEC caused fallout
  - Number of Service Orders Issued
  - Base calculation
  - CLEC error excluded calculation

Level of Disaggregation:

- Region
-

Data Retained Relating to CLEC Experience	Data Retained Relating to BST Experience

• Report month
• Total number of LSRs received, by interface, by CLEC
  ➢ TAG
  ➢ EDI
  ➢ LENS
• Total number of errors by type, by CLEC
  ➢ Fatal rejects
  ➢ Total fallout for manual processing
  ➢ Auto clarification
  ➢ CLEC errors
• Total number of errors by error code
	• Report month
	• Total number of errors by type:
	  ➢ BST system error

Retail Analog/Benchmark:

Benchmark

Revision Date: 08/18/99 (vb)

ORDERING

Report/Measurement:
Percent Rejected Service Requests

Definition:
Percent Rejected Service Request is the percent of total Local Service Requests (LSRs) received which are rejected due to error or omission. An LSR is considered valid when it is electronically submitted by the CLEC and passes LEO edit checks to insure the data received is correctly formatted and complete.

Exclusions:
Service Requests canceled by the CLEC

Business Rules:
Fully Mechanized: An LSR is considered "rejected" when it is submitted electronically but does not pass LEO edit checks in the ordering systems (EDI, TAG, LEO, LESOG) and is returned to the CLEC. There are two types of "Rejects" in the Mechanized category:

- A Fatal Reject occurs when a CLEC attempts to electronically submit an LSR but required fields are not populated correctly and the request is returned to the CLEC before it is considered an LSR. Fatal Rejects are included in the calculation for regional reports only.
- An Auto Clarification is a valid LSR, which is electronically submitted but rejected from LESOG because it does not pass further edit checks for order accuracy.

Calculation:
Percent Rejected Service Requests = (Total Number of Rejected Service Requests) / (Total Number of Service Requests Received) X 100 during the month.

Report Structure:

- Fully Mechanized
- CLEC Specific
- CLEC Aggregate

Level of Disaggregation:

- State

Data Retained Relating to CLEC Experience:	Data Retained Relating to BST Performance:
• Report Month • Total number of LSRs • Total number of Rejects • Total Number of Errors • State and Region	• Report Month • Total number of LSRs • Total number of Errors • Adjusted Error Volume • State and Region

Retail Analog/Benchmark
Retail Analog

Revision date: 08/18/99 (vb)

ORDERING

Report/Measurement:
Firm Order Confirmation Timeliness
Definition:
Interval for Return of a Firm Order Confirmation (FOC Interval) is the average response time from receipt of valid LSR to distribution of a firm order confirmation.
Exclusions:
• Rejected LSRs • Partially Mechanized or Non-Mechanized LSRs received and/or FOCd outside of normal business hours.
Business Rules:
• Mechanized - The elapsed time from receipt of a valid LSR (date and time stamp in LENS, EDI, TAG) until the LSR is processed and appropriate service orders are generated in SOCS.
Calculation:
Firm Order Confirmation Timeliness = Σ[(Date and Time of Firm Order Confirmation) – (Date and Time of Service Request Receipt)] / (Number of Service Requests Confirmed in Reporting Period)
Report Structure:
• CLEC Specific • CLEC Aggregate
Level of Disaggregation:
• State

Data Retained Relating to CLEC Experience:	Data Retained Relating to BST Performance:
• Report Month • Interval for FOC • Total number of LSRs • State and Region	• Report Month • Interval for FOC • Total Number of LSRs • State and Region

Retail Analog/Benchmark:
Retail Analog

Revision date: 08/18/99 (vb)

PROVISIONING

Report/Measurement:
Percent Missed Installation Appointments
Definition:
"Percent missed installation appointments" monitors the reliability of BST commitments with respect to committed due dates to assure that CLECs can reliably quote expected due dates to their retail customer as compared to BST.
Exclusions:
• Canceled Service Orders • Order Activities of BST or the CLEC associated with internal or administrative use of local services (Record Orders, Test Orders, etc.) • Disconnect (D) & From (F) orders
Business Rules:
Percent Missed Installation Appointments (MA) is the percentage of total orders processed for which BST is unable to complete the service orders on the committed due dates. Missed Appointments caused by end-user reasons will be included and reported separately. A business day is any time period within the same date frame, which means there cannot be a cutoff time for commitments as certain types of orders are, requested to be worked after standard business hours. Also, during Daylight Savings Time, field technicians are scheduled until 9PM in some areas and the customer is offered a greater range of intervals from which to select.
Calculation:
Percent Missed Installation Appointments = Σ (Number of Orders Not Complete by Committed Due Date in Reporting Period) / (Number of Orders Completed in Reporting Period) X 100
Report Structure:
• CLEC Specific • CLEC Aggregate • BST Aggregate **Report explanation:** The difference between End User MA and Total MA is the result of BST caused misses. Here, Total MA is the total % of orders missed either by BST or CLEC end user and End User MA represents the percentage of orders missed by the end user
Level of Disaggregation:
• Product Reporting Levels ➤ RESALE POTS ➤ RESALE DESIGN ➤ UNE Loop & Port Combination ➤ UNE Other • Geographic Scope ➤ State ➤ MSA

PROVISIONING (Percent Missed Installation Appointments – Continued)

Data Retained Relating to CLEC Experience	Data Retained Relating to BST Experience
• Report Month • CLEC Order Number and PON (PON) • Committed Due Date (DD) • Completion Date (CMPLTN DD) • Status Type • Status Notice Date • Standard Order Activity • Geographic Scope NOTE: Code in parentheses is the corresponding header found in the raw data file.	• Report Month • BST Order Number • Committed Due Date • Completion Date • Status Type • Status Notice Date • Standard Order Activity • Geographic Scope

Retail Analog/Benchmark:
CLEC Resale POTS / BST Retail POTS CLEC Resale Design / BST Retail Design CLEC UNE Loop & Port Combination - Retail Analog CLEC UNEs-Retail Analog

Revision date: 08/18/99 (vb)

PROVISIONING

Report/Measurement :
Order Completion Interval Distribution
Definition:
The "Order Completion Interval Distribution" provides the percentage of orders completed within certain time periods.
Exclusions:
• Canceled Service Orders • Order Activities of BST or the CLEC associated with internal or administrative use of local services • (Record Orders, Test Orders, etc.) • D (Disconnect) and F (From) orders. (From is disconnect side of a move order when the customer moves to a new address). • "L" Appointment coded orders (where the customer has requested a later than offered interval)
Business Rules:
The actual completion interval is determined for each order processed during the reporting period. The Completion interval is the elapsed time from when BST issues a FOC or SOCS date time stamp receipt of an order from the CLEC to BST's actual order completion date. The clock starts when a valid order number is assigned by SOCS and stops when the technician or system completes the order in SOCS. Elapsed time for each order is accumulated for each reporting dimension. The accumulated time for each reporting dimension is then divided by the associated total number of orders completed
Calculation :
Order Completion Interval Distribution: Σ (Service Orders Completed in "X" days) / (Total Service Orders Completed in Reporting Period) X 100
Report Structure:
• CLEC Specific • CLEC Aggregate • BST Aggregate
Level of Disaggregation:
• Product Reporting Levels ➢ Resale POTS ➢ Resale DESIGN ➢ UNE Loop & Port Combination ➢ UNE Loops • Geographic Scope ➢ State ➢ MSA

Data Retained Relating to CLEC Experience	**Data Retained Relating to BST Experience**
• Report Month • CLEC Company Name • Order Number (PON) • Submission Date & Time (TICKET_ID) • Completion Date (CMPLTN_DT) • Service Type (CLASS_SVC_DESC) • Geographic Scope NOTE: Code in parentheses is the corresponding header found in the raw data file.	• Report Month • CLEC Order Number • Order Submission Date & Time • Order Completion Date & Time • Service Type • Geographic Scope

Retail Analog/Benchmark
CLEC Resale POTS / BST Retail POTS CLEC Resale Design / BST Retail Design CLEC UNE Loop & Port Combination - Retail Analogue CLEC UNEs-Retail Analog

Revision date: 08/18/99 (vb)

PROVISIONING

Report/Measurement:
Coordinated Customer Conversions
Definition:
This category measures the average time it takes BST to disconnect an unbundled loop from the BST switch and cross connect it to a CLEC's equipment. This measurement applies to service orders with and without INP, and where the CLEC has requested BST to provide a coordinated cutover.
Exclusions:
• Any order canceled by the CLEC will be excluded from this measurement. • Delays due to CLEC following disconnection of the unbundled loop • Unbundled Loops where there is no existing subscriber loop
Business Rules:
Where the service order includes INP, the interval includes the total time for the cutover including the translation time to place the line back in service on the ported line. The interval is calculated for the entire cutover time for the service order and then divided by items worked in that time to give the average per item interval for each service order.
Calculation:
Σ [(Completion Date and Time for Cross Connection of an Unbundled Loop) - (Disconnection Date and Time of an Unbundled Loop)] / Total Number of Unbundled Loop Items for the reporting period.
Report Structure:
• CLEC Specific • CLEC Aggregate
Level of Disaggregation:
• Product Reporting Levels ➢ UNE Loops without INP ➢ UNE Loops with INP • Geographic Scope ➢ State ➢ MSA

Data Retained Relating to CLEC Experience	**Data Retained Relating to BST Experience**
• Report Month • CLEC Order Number • Committed Due Date (DD) • Service Type (CLASS_SVC_DESC) • Cutover Start Time • Cutover Completion time • Portability start and completion times (INP Orders) • Total Items NOTE: Code in parentheses is the corresponding header found in the raw data file.	• No BST Analog Exists

Retail Analog/Benchmark:
Benchmark

Revision date: 08/18/99 (vb)

PROVISIONING

Report/Measurement:
% Provisioning Troubles within 4 days of Service Order Activity

Definition:
Percent Provisioning Troubles within 4 days of Installation measures the quality and accuracy of installation activities.

Exclusions:
- Canceled Service Orders
- Order Activities of BST or the CLEC associated with internal or administrative use of local services (R Orders, Test Orders, etc.)
- D & F orders

Business Rules:
Measures the quality and accuracy of completed orders. The first trouble report from a service order after completion is counted in this measure. Subsequent trouble reports are measured in Repeat Report Rate. Reports are calculated searching in the prior report period for completed service orders and following 4 days after completion for a trouble report.
D & F orders are excluded as there is no subsequent activity following a disconnect.

Calculation:
% Provisioning Troubles within 4 days of Service Order Activity = Σ (Trouble reports on all completed orders ⇔ 4 days following service order(s) completion) / (All Service Orders in a completed in the report calendar month) X 100

Report Structure:
- CLEC Specific
- CLEC Aggregate
- BST Aggregate

Level of Disaggregation:
- Product Reporting Levels
  - Resale POTS
  - Resale DESIGN
  - UNE Loop & Port Combination
  - UNE Loops
- Geographic Scope
  - State
  - MSA

Data Retained Relating to CLEC Experience	Data Retained Relating to BST Experience
• Report Month • CLEC Order Number and PON • Order Submission Date(TICKET_ID) • Order Submission Time (TICKET_ID) • Status Type • Status Notice Date • Standard Order Activity • Geographic Scope NOTE: Code in parentheses is the corresponding header found in the raw data file.	• Report Month • BST Order Number • Order Submission Date • Order Submission Time • Status Type • Status Notice Date • Standard Order Activity • Geographic Scope

Retail Analog/Benchmark:
CLEC Resale POTS / BST Retail POTS
CLEC Resale Design / BST Retail Design
CLEC UNE Loop & Port Combination - Retail Analog
CLEC UNEs-Retail Analog

Revision date: 08/18/99 (vb)

MAINTENANCE & REPAIR

Report/Measurement:
Missed Repair Appointments

Definition:
The percent of trouble reports not cleared by the committed date and time.

Exclusions:
- Trouble tickets canceled at the CLEC request.
- BST trouble reports associated with internal or administrative service.
- Customer Provided Equipment (CPE) troubles or CLEC Equipment Trouble.

Business Rules:
The negotiated commitment date and time is established when the repair report is received. The cleared time is the date and time that BST personnel clear the trouble and closes the trouble report in his Computer Access Terminal (CAT) or workstation. If this is after the Commitment time, the report is flagged as a "Missed Commitment" or a missed repair appointment. When the data for this measure is collected for BST and a CLEC, it can be used to compare the percentage of the time repair appointments are missed due to BST reasons. Note: Appointment intervals vary with force availability in the POTS environment. Specials and Trunk intervals are standard interval appointments of no greater than 24 hours.

Calculation:
Percentage of Missed Repair Appointments = Σ (Count of Customer Troubles Not Cleared by the Quoted Commitment Date and Time) / Σ (Total Trouble reports closed in Reporting Period) X 100

Report Structure:
- CLEC Specific
- CLEC Aggregate
- BST Aggregate

Level of Disaggregation:
- Product Reporting Levels
  - Resale POTS
  - Resale DESIGN
  - UNE Loop & Port Combination
  - UNE Loops
- Geographic Scope
  - State
  - MSA

Data Retained Relating to CLEC Experience	Data Retained Relating to BST Experience
• Report Month • CLEC Company Name • Submission Date & Time (TICKET_ID) • Completion Date (CMPLTN_DT) • Service Type (CLASS_SVC_DESC) • Disposition and Cause (CAUSE_CD & CAUSE_DESC) • Geographic Scope NOTE: Code in parentheses is the corresponding header found in the raw data file.	• Report Month • BST Company Code • Submission Date & Time • Completion Date • Service Type • Disposition and Cause (Non-Design / Non-Special Only) • Trouble Code (Design and Trunking Services) • Geographic Scope

Retail Analog/Benchmark
CLEC Resale POTS / BST Retail POTS
CLEC Resale Design / BST Retail Design
CLEC UNE Loop & Port Combination - Retail Analogue
CLEC UNEs-Retail Analog

Revision date: 08/27/99 (SE)

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 45 of 77

MAINTENANCE & REPAIR

Report/Measurement:

Customer Trouble Report Rate

Definition:

Initial and repeated customer direct or referred troubles reported within a calendar month per 100 lines/ circuits in service.

Exclusions:

- Trouble tickets canceled at the CLEC request.
- BST trouble reports associated with administrative service.
- Customer provided Equipment (CPE) troubles or CLEC equipment troubles.

Business Rules:

Customer Trouble Report Rate is computed by accumulating the number of maintenance initial and repeated trouble reports during the reporting period. The resulting number of trouble reports are divided by the total "number of service" lines, ports or combination of existing for the CLEC's and BST respectively at the end of the report month.

Calculation:

Customer Trouble Report Rate = (Count of Initial and Repeated Trouble Reports in the Current Period) / (Number of Service Access Lines in service at End of the Report Period) X 100

Report Structure:

- CLEC Specific
- CLEC Aggregate
- BST Aggregate.

Level of Disaggregation:

- Product Reporting Levels
  - Resale POTS
  - Resale DESIGN
  - UNE Loop & Port Combination (This can not be captured for Total Report Rate)
  - UNE Loops
- Geographic Scope
  - State
  - MSA

Data Retained Relating to CLEC Experience	Data Retained Relating to BST Experience
• Report Month • CLEC Company Name • Ticket Submission Date & Time (TICKET_ID) • Ticket Completion Date (CMPLTN_DT) • Service Type (CLASS_SVC_DESC) • Disposition and Cause (CAUSE_CD & CAUSE_DESC) • # Service Access Lines in Service at the end of period • Geographic Scope NOTE: Code in parentheses is the corresponding header found in the raw data file.	• Report Month • BST Company Code • Ticket Submission Date & Time • Ticket Completion Date • Service Type • Disposition and Cause (Non-Design / Non-Special Only) • Trouble Code (Design and Trunking Services) • # Service Access Lines in Service at the end of period • Geographic Scope

Retail Analog/Benchmark:

CLEC Resale POTS / BST Retail POTS
CLEC Resale Design / BST Retail Design
CLEC UNE Loop & Port Combination - Retail Analogue
CLEC UNEs-Retail Analog

Revision date: 08/27/99 (se)

MAINTENANCE & REPAIR

Report/Measurement:
Maintenance Average Duration

Definition:
The Average duration of Customer Trouble Reports from the receipt of the Customer Trouble Report to the time the trouble report is cleared.

Exclusions:
- Trouble reports canceled at the CLEC request
- BST trouble reports associated with administrative service
- Customer Provided Equipment (CPE) troubles or CLEC Equipment Troubles.
- Trouble reports greater than 10 days

Business Rules:
For Average Duration the clock starts on the date and time of the receipt of a correct repair request. The clock stops on the date and time the service is restored (when the technician completes the trouble ticket on his/her CAT or work system).

Calculation:
Maintenance Average Duration = Σ(Date and Time of Service Restoration) – (Date and Time Trouble Ticket was Opened) / Σ(Total Closed Troubles in the reporting period)

Report Structure:
- CLEC Specific
- BST Aggregate
- CLEC Aggregate

Level of Disaggregation:
- Product Reporting Levels
  - Resale POTS
  - Resale DESIGN
  - UNE Loop & Port Combination
  - UNE Loops
- Geographic Scope
  - State
  - MSA

Data Retained Relating to CLEC Experience	Data Retained Relating to BST Experience
• Report Month • Total Tickets (LINE_NBR) • CLEC Company Name • Ticket Submission Date & Time (TIME_ID) • Ticket Completion Date (CMPLTN_DT • Service Type (CLASS_SVC_DESC) • Disposition and Cause (CAUSE_CD & CAUSE_DESC) • Geographic Scope NOTE: Code in parentheses is the corresponding header found in the raw data file.	• Report Month • Total Tickets • BST Company Code • Ticket Submission Date • Ticket submission Time • Ticket completion Date • Ticket Completion Time • Total Duration Time • Service Type • Disposition and Cause (Non – Design / Non-Special Only) • Trouble Code (Design and Trunking Services) • Geographic Scope

Retail Analog/Benchmark:
CLEC Resale POTS / BST Retail POTS
CLEC Resale Design / BST Retail Design
CLEC UNE Loop & Port Combination - Retail Analog
CLEC UNEs-Retail Analog

Revision date: 08/27/99 (se)

MAINTENANCE & REPAIR

Report/Measurement:

Percent Repeat Troubles within 30 Days

Definition:

Trouble reports on the same line/circuit as a previous trouble report received within 30 calendar days as a percent of total troubles reported.

Exclusions:

- Trouble Reports canceled at the CLEC request
- BST Trouble Reports associated with administrative service
- Customer Provided Equipment (CPE) Troubles or CLEC Equipment Troubles.

Business Rules:

Includes Customer trouble reports received within 30 days of an original Customer trouble report.

Calculation:

Percentage of Missed Repair Appointments = (Count of Customer Troubles where more than one trouble report was logged for the same service line within a continuous 30 days) / (Total Trouble Reports Closed in Reporting Period) X 100

Report Structure:

- CLEC Specific
- CLEC Aggregate
- BST Aggregate

Level of Disaggregation:

- Product Reporting Levels
  - Resale POTS
  - Resale DESIGN
  - UNE Loop & Port Combination
  - UNE Loops
- Geographic Scope
  - State
  - MSA

Data Retained Relating to CLEC Experience	Data Retained Relating to BST Experience
• Report Month • Total Tickets (LINE_NBR) • CLEC Company Name • Ticket Submission Date & Time (TICKET_ID) • Ticket Completion Date (CMPLTN_DT) • Total and Percent Repeat Trouble Reports within 30 Days (TOT_REPEAT) • Service Type • Disposition and Cause (CAUSE_CD & CAUSE_DESC) • Geographic Scope NOTE: Code parentheses is the corresponding header format found in the raw data file.	• Report Month • Total Tickets • BST Company Code • Ticket Submission Date • Ticket Submission Time • Ticket Completion Date • Ticket Completion Time • Total and Percent Repeat Trouble Reports within 30 days • Service Type • Disposition and Cause (Non – Design/ Non-Special only) • Trouble Code (Design and Trunking Services) • Geographic Scope

Retail Analog/Benchmark:

CLEC Resale POTS / BST Retail POTS
CLEC Resale Design / BST Retail Design
CLEC UNE Loop & Port Combination - Retail Analogue
CLEC UNEs-Retail Analog

Revision date: 08/23/99 (vb)

BILLING

Report/Measurement:
Invoice Accuracy
Definition:
This measure provides the percentage of accuracy of the billing invoices rendered to CLECs during the current month.
Exclusions:
• Adjustments not related to billing errors (e.g., credits for service outage, special promotion credits, adjustments to satisfy the customer)
Business Rules:
The accuracy of billing invoices delivered by BST to the CLEC must enable them to provide a degree of billing accuracy comparative to BST bills rendered to retail customers BST. CLECs request adjustments on bills determined to be incorrect. The BellSouth Billing verification process includes manually analyzing a sample of local bills from each bill period. The bill verification process draws from a mix of different customer billing options and types of service. An end-to-end auditing process is performed for new products and services. Internal measurements and controls are maintained on all billing processes.
Calculation:
Invoice Accuracy = (Total Billed Revenues during current month) - (Billing Related Adjustments during current month) / Total Billed Revenues during current month X 100
Report Structure:
CLEC Specific, CLEC Aggregate and BST Aggregate
Level of Disaggregation :
• Product / Invoice Type ➢ Resale ➢ UNE ➢ Interconnection • Geographic Scope ➢ Region

Data Retained Relating to CLEC Experience:	**Data Retained Relating to BST Performance:**
• Report Month • Invoice Type • Total Billed Revenue • Billing Related Adjustments	• Report Month • Retail Type ➢ CRIS ➢ CABS • Total Billed Revenue • Billing Related Adjustments

Retail Analog/Benchmark
Retail Analog

Revision date: 08/02/99 (lg)

BILLING

Report/Measurement:
Mean Time to Deliver Invoices
Definition:
This measure provides the mean interval for billing invoices
Exclusions:
Any invoices rejected due to formatting or content errors.
Business Rules:
Measures the mean interval for timeliness of billing records delivered to CLECs in an agreed upon format. CRIS-based invoices are measured in business days, and CABS-based invoices in calendar days.
Calculation:
Mean Time To Deliver Invoices = Σ [(Invoice Transmission Date)- (Close Date of Scheduled Bill Cycle)] / (Count of Invoices Transmitted in Reporting Period)
Report Structure:
CLEC Specific, CLEC Aggregate and BST Aggregate
Level of Disaggregation:
• Product / Invoice Type ➢ Resale ➢ UNE ➢ Interconnection • Geographic Scope ➢ Region

Data Retained Relating to CLEC Experience:	**Data Retained Relating to BST Performance:**
• Report Month • Invoice Type • Invoice Transmission Count • Date of Scheduled Bill Close	• Report Month • Retail Type ➢ CRIS ➢ CABS • Invoice Transmission Count • Date of Scheduled Bill Close

Retail Analog/Benchmark:
CRIS-based invoices will be released for delivery within six (6) business days CABS-based invoices will be released for delivery within eight (8) calendar days.

Revision date: 07/4/99 (lg)

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 50 of 77

BILLING

Report/Measurement:
Usage Data Delivery Accuracy
Definition:
This measurement captures the percentage of recorded usage that is delivered error free and in an acceptable format to the appropriate Competitive Local Exchange Carrier (CLEC). These percentages will provide the necessary data for use as a comparative measurement for BellSouth performance. This measurement captures Data Delivery Accuracy rather than the accuracy of the individual usage recording.
Exclusions:
None
Business Rules:
The accuracy of the data delivery of usage records delivered by BST to the CLEC must enable them to provide a degree of accuracy comparative to BST bills rendered to their retail customers. If errors are detected in the delivery process, they are investigated, evaluated and documented. Errors are corrected and the data retransmitted to the CLEC.
Calculations:
Usage Data Delivery Accuracy = Σ [(Total number of usage data packs sent during current month) – (Total number of usage data packs requiring retransmission during current month)] / (Total number of usage data packs sent during current month) X 100
Report Structure:
CLEC Specific, CLEC Aggregate and BST Aggregate
Level of Disaggregation:
• Geographic Scope ➢ Region

Data Retained Relating to CLEC Experience:	Data Retained Relating to BST Performance:
• Report Month • Record Type ➢ BellSouth Recorded ➢ Non BellSouth Recorded	• Report Month • Record Type

Retail Analog/Benchmark:
Retail Analog

Revision date: 08/0/99 (lg)

BILLING

Report/Measurement:	
Usage Data Delivery Timeliness	
Definition:	
This measurement provides a percentage of recorded usage data (usage recorded by BST and usage recorded by other companies and sent to BST for billing) that is delivered to the appropriate CLEC within six (6) calendar days from the receipt of the initial recording. A parity measure is also provided showing timeliness of BST messages processed and transmitted via CMDS. Timeliness, Completeness and Mean Time to Deliver Usage measures are reported on the same report.	
Exclusions:	
None	
Business Rules:	
The purpose of this measurement is to demonstrate the level of timeliness for processing and transmission of usage data delivered to the appropriate CLEC. The usage data will be mechanically transmitted or mailed to the CLEC data processing center once daily. The Timeliness interval of usage recorded by other companies is measured from the date BST receives the records to the date BST distributes to the CLEC. Method of delivery is at the option of the CLEC.	
Calculation:	
Usage Data Delivery Timeliness = Σ (Total number of usage records sent within six (6) calendar days from initial recording/receipt) / Σ (Total number of usage records sent) X 100	
Report Structure:	
• CLEC Aggregate • CLEC Specific • BST Aggregate	
Level of Disaggregation:	
• Geographic Scope ➢ Region	
Data Retained Relating to CLEC Experience:	**Data Retained Relating to BST Performance:**
• Report Month • Record Type ➢ BellSouth Recorded ➢ Non-BellSouth Recorded	• Report Monthly • Record Type
Retail Analog/Benchmark:	
Retail Analog	

Revision date: 08/02/99 (lg)

BILLING

Report/Measurement:
Mean Time to Deliver Usage
Definition:
This measurement provides the average time it takes to deliver Usage Records to a CLEC. A parity measure is also provided showing timeliness of BST messages processed and transmitted via CMDS. Timeliness, Completeness and Mean Time to Deliver Usage measures are reported on the same report.
Exclusions:
None
Business Rules:
The purpose of this measurement is to demonstrate the average number of days it takes BST to deliver Usage data to the appropriate CLEC. Usage data is mechanically transmitted or mailed to the CLEC data processing center once daily. Method of delivery is at the option of the CLEC.
Calculation:
Mean Time to Deliver Usage = Σ (Record volume X estimated number of days to deliver the Usage Record) / total record volume
Report Structure:
• CLEC Aggregate • CLEC Specific • BST Aggregate
Level of Disaggregation:
• Geographic Scope ➢ Region

Data Retained Relating to CLEC Experience:	**Data Retained Relating to BST Performance:**
• Report Month • Record Type ➢ BellSouth Recorded ➢ Non-BellSouth Recorded	• Report Monthly • Record Type

Retail Analog/Benchmark:
Retail Analog

Revision date: 07/4/99 (lg)

TRUNK GROUP PERFORMANCE

Report/Measurement:
Trunk Group Service Report
Definition:
A report of the percent blocking above the Measured Blocking Threshold (MBT) on all final trunk groups between CLEC Points of Termination and BST end offices or tandems.
Exclusions:
• Trunk groups for which valid traffic data is not available • High use trunk groups
Business Rules:
Traffic trunking data measurements are validated and processed by the Total Network Data System/Trunking (TNDS/TK), a Telcordia (BellCore) supported application, on an hourly basis for Average Business Days (Monday through Friday). The traffic load sets, including offered load and observed blocking ratio (calls blocked divided by calls attempted), are averaged for a 20 day period, and the busy hour is selected. The busy hour average data for each trunk group is captured for reporting purposes. Although all trunk groups are available for reporting, the report highlight those trunk groups with blocking greater than the Measured Blocking Threshold (MBT) and the number of consecutive monthly reports that the trunk group blocking has exceeded the MBT. The MBT for CTTG is 2% and the MBT for all other trunk groups is 3%.
Calculation:
Measured blocking = (Total number of blocked calls) / (Total number of attempted calls) X 100
Report Structure:

• BST Aggregate
  ➢ CTTG
  ➢ Local
• CLEC Aggregate
  ➢ BST Administered CLEC Trunk
  ➢ CLEC Administered CLEC Trunk
• CLEC Specific
  ➢ BST Administered CLEC Trunk
  ➢ CLEC Administered CLEC Trunk

Level of Disaggregation:
State

Data Retained Relating to CLEC Experience	**Data Retained Relating to BST Experience**
• Report month • Total trunk groups • Total trunk groups for which data is available • Trunk groups with blocking greater than the MBT • Percent of trunk groups with blocking greater than the MBT	• Report month • Total trunk groups • Total trunk groups for which data is available • Trunk groups with blocking greater than the MBT • Percent of trunk groups with blocking greater than the MBT

Retail Analog/Benchmark:
BST Analog

Revision Date: 06/09/99 (tm)

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 54 of 77

TRUNK GROUP PERFORMANCE

Report/Measurement:

Trunk Group Service Detail

Definition:

A detailed list of all final trunk groups between CLEC Points of Presence and BST end offices or tandems, and the actual blocking performance when the blocking exceeds the Measured Blocking Threshold (MBT) for the trunk groups.

Exclusions:

- Trunk groups for which valid traffic data is not available
- High use trunk groups

Business Rules:

Traffic trunking data measurements are validated and processed by the Total Network Data System/Trunking (TNDS/TK), a Telcordia (Bellcore) supported application, on an hourly basis for Average Business Days (Monday through Friday). The traffic load sets, including offered load and observed blocking ratio (calls blocked divided by calls attempted), are averaged for a 20 day period, and the busy hour is selected. The busy hour average data for each trunk group is captured for reporting purposes. Although all trunk groups are available for reporting, the report highlight those trunk groups with blocking greater than the Measured Blocking Threshold (MBT) and the number of consecutive monthly reports that the trunk group blocking has exceeded the MBT. The MBT for CTTG is 2% and the MBT for all other trunk groups is 3%.

Calculation:

Measured Blocking = (Total number of blocked calls) / (Total number of attempted calls) X 100

Report Structure:

- BST Specific
  - Traffic Identity
  - TGSN
  - Tandem
  - End Office
  - Description
  - Observed Blocking
  - Busy Hour
  - Number Trunks
  - Valid study days
  - Number reports
  - Remarks
- CLEC Specific
  - Traffic Identity
  - TGSN
  - Tandem
  - CLEC POT
  - Description
  - Observed Blocking
  - Busy Hour
  - Number Trunks
  - Valid study days
  - Number reports
  - Remarks

Level of Disaggregation:

State

Data Retained Relating to CLEC Experience	Data Retained Relating to BST Experience
• Report month • Total trunk groups • Total trunk groups for which data is available • Trunk groups with blocking greater than the MBT • Percent of trunk groups with blocking greater than the MBT • Traffic identity, TGSN, end points, description, busy hour, valid study days, number reports	• Report month • Total trunk groups • Total trunk groups for which data is available • Trunk groups with blocking greater than the MBT • Percent of trunk groups with blocking greater than the MBT • Traffic identity, TGSN, end points, description, busy hour, valid study days, number reports

Retail Analog/Benchmark:

BST Analog

Revision Date: 06/09/99 (tm)

COLLOCATION

Report/Measurement:
Collocation/Percent of Due Dates Missed
Definition:
Measures the percent of missed due dates for collocation arrangements.
Exclusions:
• Any Bona Fide firm order cancelled by the CLEC • Bona Fide firm orders to augment previously completed arrangements • Time for BST to obtain permits • Time during which the collocation contract is being negotiated
Business Rules:
The clock starts on the date that BST receives a complete and accurate Bona Fide firm order accompanied by the appropriate fee. The clock stops on the date that BST completes the collocation arrangement.
Calculation:
% of Due Dates Missed = Σ (Number of Orders not completed w/i ILEC Committed Due Date during Reporting Period) / Number of Orders Completed in Reporting Period) X 100
Report Structure:
• Individual CLEC (alias) aggregate • Aggregate of all CLECs
Level of Disaggregation:
• State, Region and further geographic disaggregation as required by State Commission Order • Virtual • Physical
Data Retained:
• Report period • Aggregate data
Retail Analog/Benchmark:
Under development

Revision Date: 06/29/99 (tg)

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Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 56 of 77

DRAFT

EXHIBIT B

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	RETAIL ANALOGUES	BENCHMARKS
TRANSACTIONAL LEVEL DATA	• OSS Interface Availability • Percent Missed Installation Appointments • Percent Troubles within 4 Days of Installation • Mean Average Duration • Percent Missed Repair Appointments • Customer Trouble Report Rate • Repeat Troubles within 30 Days • FOC Timeliness (Mechanized) – Under Development • Reject Timeliness (Mechanized) – Under Development • Percent Complete within "X" Days	• Percent Responses Received within "X" seconds • Percent Order Flow-Through • LNP Disconnect Timeliness • LNP Percent Missed Installation Appointments • Coordinated Customer Conversions • Collocation Percent Due Dates Missed •
SUMMARY LEVEL DATA	• Percent Trunk Blockage • Invoice Timeliness • Invoice Accuracy • Usage Data Delivery Timeliness • Usage Data Delivery Accuracy	

Recommended Benchmarks/Retail Analog

• Percent Order Flow-Through: 85%
• FOC Timeliness for Mechanized Orders: 95% within 8hrs / BST Analog – Under Development
• Reject Timeliness for Mechanized Orders: 95% within 4hrs / BST Retail Analog – Under Development
• UNE Percent Complete within 7 Days: 95% / BST Retail Analog – Under Development
• LNP Disconnect Timeliness – Under Development
• LNP Percent Missed Installation Appointments – Under Development
• Coordinated Customer Conversions 5mins/15min max
• Collocation Percent Due Dates Missed: 1%
• Invoice Timeliness

Exhibit B

DRAFT

• Invoice Accuracy
• Usage Data Delivery Timeliness
• Usage Data Delivery Accuracy

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EXHIBIT C

Statistical Methods for BellSouth Performance Measure Analysis

I. Necessary Properties for a Test Methodology

The statistical process for testing if competing local exchange carriers (CLECs) customers are being treat equally with BellSouth (BST) customers involves more than just a mathematical formula. Three key elements need to be considered before an appropriate decision process can be developed. These are

- the type of data,
- the type of comparison, and
- the type of performance measure.

Once these elements are determined a test methodology should be developed that complies with the following properties.

- Like-to-Like Comparisons. When possible, data should be compared at appropriate levels, e.g. wire center, time of month, dispatched, residential, new orders. The testing process should:
  - Identify variables that may affect the performance measure.
  - Record these important confounding covariates.
  - Adjust for the observed covariates in order to remove potential biases and to make the CLEC and the ILEC units as comparable as possible.
- Aggregate Level Test Statistic. Each performance measure of interest should be summarized by one overall test statistic giving the decision maker a rule that determines whether a statistically significant difference exists. The test statistic should have the following properties.
  - The method should provide a single overall index, on a standard scale.
  - If entries in comparison cells are exactly proportional over a covariate, the aggregated index should be very nearly the same as if comparisons on the covariate had not been done.
  - The contribution of each comparison cell should depend on the number of observations in the cell.
  - Cancellation between comparison cells should be limited.
  - The index should be a continuous function of the observations.
- Production Mode Process. The decision system must be developed so that it does not require intermediate manual intervention, i.e. the process must be a "black box."
  - Calculations are well defined for possible eventualities.

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 61 of 77

- The decision process is an algorithm that needs no manual intervention.
- Results should be arrived at in a timely manner.
- The system must recognize that resources are needed for other performance measure-related processes that also must be run in a timely manner.
- The system should be auditable, and adjustable over time.

- Balancing. The testing methodology should balance Type I and Type II Error probabilities.
  - P(Type I Error) = P(Type II Error) for well defined null and alternative hypotheses.
  - The formula for a test's balancing critical value should be simple enough to calculate using standard mathematical functions, i.e. one should avoid methods that require computationally intensive techniques.
  - Little to no information beyond the null hypothesis, the alternative hypothesis, and the number of observations should be required for calculating the balancing critical value.

In the following sections we describe appropriate testing processes that adhere as much as possible to the testing principles.

Measurement Types

The performance measures that will undergo testing are of three types:

1) means
2) proportions, and
3) rates

While all three have similar characteristics (a proportion is the average of a measure that takes on only the values of 0 or 1), a proportion or rate is derived from count data while a mean is generally an average of interval measurements.

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 62 of 77

II. Testing Methodology

In this section, two types of testing methodologies are described and for each measurement type, a testing methodology is recommended. Each methodology is described in more detail in the appendix, including the methodology for calculating a balancing point.

Truncated Z. Many covariates are chosen in order to provide deep comparison levels. In each comparison cell, a Z statistic is calculated. The form of the Z statistic may vary depending on the performance measure, but it should be distributed approximately as a standard normal, with mean zero and variance equal to one. Assuming that the test statistic is derived so that it is negative when the performance for the CLEC is worse than for the ILEC, a positive truncation is done – i.e. if the result is negative it is left alone, if the result is positive it is changed to zero. A weighted average of the truncated statistics is calculated where a cell weight depends on the volume of BST and CLEC orders in the cell. The weighted average is re-centered by the theoretical mean of a truncated distribution, and this is divided by the standard error of the weighted average. The standard error is computed assuming a fixed effects model.

Aggregated modified Z. In this method, many covariates are chosen in order to provide deep comparison levels. The average difference between performance measures is calculated within each comparison cell, and a weighted average of the cell differences is calculated where a cell weight depends on the volume of BST and CLEC orders in the cell. The standard error of this weighted average is computed assuming a fixed effects model, i.e. correlations between cell differences are treated as biases.

Proportion Measures

For performance measures that are calculated as a proportion, the truncated Z methodology best satisfies the necessary properties listed in Section I. In each adjustment cell, the truncated Z and the moments for the truncated Z can be calculated in a direct manner. In adjustment cells where proportions are not close to zero or one, and where the sample sizes are reasonably large, a normal approximation can be used. In this case, the moments for the truncated Z come directly from properties of the standard normal distribution. If the normal approximation is not appropriate, then the Z statistic is calculated from the hypergeometric distribution. The probability, P, is calculated using a hypergeometric probability distribution, where P is the probability of drawing a value as extreme or more extreme than the observed response. The Z statistic is defined as $Z=F^{-1}(P)$ where F is the cumulative distribution function for the standard normal. In this case, the moments of the truncated Z are calculated exactly using the hypergeometric probabilities.

Rate Measures

The truncated Z methodology is also recommended for rate measures. The general structure for calculating the Z in each cell is similar to that described for proportion measures. For a rate measure, there are a fixed number of circuits or units for the CLEC, n_{2j} and a fixed number of units for BST, n_{1j}. Suppose that the performance measure is a "trouble rate." The modeling assumption is that the occurrence of a trouble is independent between units and the number of troubles in n circuits follows a Poisson distribution with mean λn where λ is the probability of a trouble in 1 circuit and n is the number of circuits.

In an adjustment cell, if the number of CLEC troubles is greater than 15 and the number of BST troubles is greater than 15, then the Z test is calculated using the normal approximation to the Poisson. In this case, the moments of the truncated Z come directly from properties of the standard normal distribution. Otherwise, if there are very few troubles, the number of CLEC troubles can be modeled using a binomial distribution with n equal to the total number of troubles (CLEC plus BST troubles.) In this case, as for the proportion measure, the probability P is calculated using the exact binomial probabilities, and Z is defined as $F^{-1}(P)$. In this case, the moments for the truncated Z are calculated explicitly using the binomial distribution.

Mean Measures

For mean measures, at this time, the only proposed truncated Z test requires the calculation of permutation tests in almost all the cells. In this case, it is not clear that the truncated Z methodology meets the requirements for a production mode process. On the other hand, for the data comparisons that have been seen so far, the aggregated modified Z test gives essentially the same results as the truncated Z test for mean measures. Therefore, the possibly large expenditure in resources needed to perform the truncated Z test does not seem warranted, given that the aggregated, modified Z test appears to give similar results, more efficiently.

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APPENDIX
TECHNICAL DESCRIPTIONS

A.1 Common Notation

n_1 = the total number of BST observations,

n_2 = the total number of CLEC observations,

n_{1j} = the number of BST cases in cell j,

n_{2j} = the number of CLEC cases in cell j,

μ_1 = the true BST average performance,

μ_{1j} = the true BST average performance in cell j,

$\bar{X}_1$ = the average performance measure value of the BST observations,

$\bar{X}_{1j}$ = the mean of the BST observations in cell j,

μ_2 = the true CLEC average performance,

μ_{2j} = the true CLEC average performance in cell j,

$\bar{X}_2$ = the average performance measure value of the CLEC observations,

$\bar{X}_{2j}$ = the mean of the CLEC observations in cell j,

σ_1 = the true standard deviation of the BST performance,

σ_2 = the true standard deviation of the CLEC performance, and

s_1 = the sample standard deviation of the BST observations.

X_{1ij} = the value of the performance measure for the i[th] BST observation in cell j,

X_{2ij} = the value of the performance measure for the i[th] CLEC observation in cell j,

$$\bar{X}_{1w} = \frac{1}{n_2}\sum_{j=1}^{S} n_{2j}\bar{X}_{1j} = \frac{\sum_{j=1}^{S} w_{1j}\sum_{i=1}^{n_{1j}} X_{1ij}}{\sum_j w_{1j}n_{1j}},$$

where S is the total number of disaggregation cells.

$$s_{1w}^2 = \frac{\sum_{j=1}^{S} n_{2j}(w_{1j}+1)s_{1j}^2}{(n_2)^2},$$

$$w_{1j} = \frac{n_{2j}}{n_{1j}},$$

$$s_{1j}^2 = \begin{cases} 0 & \text{when } n_{1j} = 1 \\ \dfrac{\sum_{i=1}^{n_{1j}}(X_{1ij} - \bar{X}_{1j})^2}{n_{1j}-1} & \text{when } n_{1j} > 1 \end{cases}$$

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 67 of 77

PROPORTIONS AND RATES
TEST STATISTIC AND BALANCING CRITICAL VALUE

Truncated Z

- Disaggregate data deeply into like-to-like comparison cells. Include geographic/business unit covariates, such as wire center, time factors, and other service factors, e.g. dispatched, residential, new orders.
- Calculate a Z statistic for each cell. Assuming that the test statistic is derived so that it is negative when performance for the CLEC is worse than the ILEC, define a truncated test statistic as the Z result if Z is less than 0, otherwise let it be 0. Finally, aggregate these individual truncated statistics as a weighted mean.
- Calculate the mean and variance of the average truncated statistic under both the null and alternative hypothesis.
- Form a new Z statistic by subtracting the mean under the null hypothesis from the average truncated statistic, and divide the result by the standard error under the null hypothesis.
- Determine a critical value, c_B, so that the probability of a Type I Error is equal to the probability of a Type II Error.
- Reject the null hypothesis of parity when the test statistic is less than the critical value.

In mathematical terms, let S be the total number of like-to-like comparison classes that have both ILEC and CLEC transactions. The truncated Z statistic is

$$Z^T = \frac{\sum_j W_j Z_j^{L*} - \sum_j W_j E(Z_j^{L*} | H_0)}{\sqrt{\sum_j W_j^2 \operatorname{var}(Z_j^{L*} | H_0)}},$$

where

$$W_j = \frac{1}{\sqrt{\frac{1}{n_{1j}} + \frac{1}{n_{2j}}}},$$

$Z_j^{L*} = \min(0, Z_j^L)$, Z_j^L the Z statistic within cell j when n_{1j} and n_{2j} are sufficiently large, and it is an adjusted Z value (described below) when the cell sample sizes are not large enough,

$E(Z_j^{L*} | H_0)$ is the theoretical mean of the truncated statistic under the null hypothesis, and

$\text{var}(Z_j^{L^*} \mid H_0)$ is the theoretical variance of the truncated statistic under the null hypothesis.

When cell sample sizes are not large enough for Z^L to be well approximated by a normal distribution, then exact testing methods must be used. If the performance measure is a proportion then the exact test involves the hypergeometric distribution. A rate measure corresponds to an exact test determined by the binomial distribution, and a mean measure uses permutation testing for an exact test. Regardless of which method is used, a p-value for the test is determined, and a Z value from the normal distribution with a tail probability equal to the p-value is used as an adjusted Z value for the cell.

The testing hypotheses are

$$H_0: \mu_{1j} = \mu_{2j}, \sigma_{1j}^2 = \sigma_{2j}^2$$

$$H_a: \mu_{2j} = \mu_{1j} + \delta \cdot \sigma_{1j}, \sigma_{2j}^2 = \lambda \cdot \sigma_{1j}^2 \qquad \delta > 0, \lambda \geq 1 \text{ and } j = 1,\ldots,S.$$

A balancing critical value for this test statistic is

$$c_B = \frac{\sum_j W_j M(m_j, se_j) - \sum_j W_j \frac{-1}{\sqrt{2\pi}}}{\sqrt{\sum_j W_j^2 V(m_j, se_j)} + \sqrt{\sum_j W_j^2 \left(\frac{1}{2} - \frac{1}{2\pi}\right)}},$$

where

$$m_j = \frac{-\delta}{\sqrt{\frac{1}{n_{1j}} + \frac{1}{n_{2j}}}}, \qquad se_j = \sqrt{\frac{\lambda n_{1j} + n_{2j}}{n_{1j} + n_{2j}}}$$

$$M(\mu, \sigma) = \frac{-\sigma}{\sqrt{2 \cdot \pi}} \cdot \exp\left[\frac{-1}{2} \cdot \left(\frac{\mu}{\sigma}\right)^2\right] - \frac{\mu}{2} \cdot \left(\text{erf}\left(\frac{1}{\sqrt{2}} \cdot \frac{\mu}{\sigma}\right) - 1\right)$$

$$V(\mu, \sigma) = \frac{\sigma^2}{2} + \frac{\mu^2}{4} - \frac{1}{2} \cdot \left(\sigma^2 \cdot \text{erf}\left(\frac{1}{\sqrt{2}} \cdot \frac{\mu}{\sigma}\right) + \frac{\mu^2}{2} \cdot \text{erf}\left(\frac{1}{\sqrt{2}} \cdot \frac{\mu}{\sigma}\right)^2\right) \ldots$$
$$+ \frac{-1}{\sqrt{2 \cdot \pi}} \cdot \sigma \cdot \mu \cdot \exp\left[\frac{-1}{2} \cdot \left(\frac{\mu}{\sigma}\right)^2\right] \cdot \text{erf}\left(\frac{1}{\sqrt{2}} \cdot \frac{\mu}{\sigma}\right) - \frac{s^2}{2 \cdot \pi} \cdot \exp\left[-\left(\frac{\mu}{\sigma}\right)^2\right]$$

$erf(x) = \frac{2}{\sqrt{\pi}} \int_0^x \exp(-t^2)\,dt$ is the special function commonly known as the error function.

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-1
November 19, 1999
Item No. 1
Page 69 of 77

AVERAGES AND MEANS
TEST STATISTIC AND BALANCING CRITICAL VALUE

Aggregated, Modified Z

- Disaggregate data deeply into like-to-like comparison cells. Include geographic/business unit covariates, such as wire center, time factors, and other service factors, e.g. dispatched, residential, new orders.
- Calculate a weighted average of the mean difference within each cell, and divide it by its standard error.
- Determine a critical value, c_B, so that the probability of a Type I Error is equal to the probability of a Type II Error.
- Assuming that the test statistic is derived so that it is negative when performance for the CLEC is worse than the ILEC, then reject the null hypothesis of parity when the test statistic is less than the critical value.

In mathematical terms, let S be the total number of like-to-like comparison classes that have both ILEC and CLEC transactions. The aggregated, modified Z statistic is

$$Z^A = \frac{\bar{X}_{1w} - \bar{X}_2}{s_{1w}}$$

using the notation defined in B.1.

The testing hypotheses are

$$H_0: \mu_{1j} = \mu_{2j}, \sigma_{1j}^2 = \sigma_{2j}^2$$

$$H_a: \mu_{2j} = \mu_{1j} + \delta \cdot \sigma_{1j}, \sigma_{2j}^2 = \lambda \cdot \sigma_{1j}^2 \qquad \delta > 0, \lambda \geq 1 \text{ and } j = 1,\ldots,S.$$

The balancing critical value is calculated as

$$c_B = \frac{-\delta \sum_j n_{2j} s_{1j}}{\sqrt{\sum_j n_{2j}(w_{1j} + \lambda) s_{1j}^2} + \sqrt{\sum_j n_{2j}(w_{1j} + 1) s_{1j}^2}}$$

To avoid calculating cell level sample variance one can also use

$$c_B = \frac{-\delta}{\sqrt{\frac{1}{n_1} + \frac{\lambda}{n_2}} + \sqrt{\frac{1}{n_1} + \frac{1}{n_2}}}$$

as an approximate balancing critical value.

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EXHIBIT D

BST VSEEMS REMEDY PROCEDURE

TIER-1 CALCULATION:

1. Calculate the test statistic for each CLEC at the State Level; z_{CLEC1}
2. Calculate the balancing critical value($c_{B_{CLEC1}}$) that is associated with the alternative hypothesis (that the CLEC mean does not exceed the ILEC mean by no more than $100\delta_B$% of an ILEC standard deviation; where, δ_B is fixed).
3. If the State test statistic is equal to or falls above the State balancing critical value, stop here. Otherwise, go to step 4.
4. If the State test statistic falls below the State balancing critical value, repeat steps 1. and 2. above at the Metropolitan Statistical Areas (MSAs) level.
5. For those cases where the MSA test statistic for the CLEC falls below the MSA balancing critical value for the CLEC, go to 6.
6. Calculate the δ associated with the z-score.
7. Calculate the increase above the materiality factor between the results of steps 6 and 2; m_t
8. Calculate the Affected Volume by multiplying failure rate by total volume.
9. Plug the result of step 8. into the remedy algorithm to determine payment,

   where payment $= m_t$ * Affected Volume_{CLEC1} * $$

Exhibit D

BST VSEEMS REMEDY PROCEDURE

TIER-2 CALCULATION:

1. Calculate the test statistic for the CLEC Aggregate at the State Level; z_{CLECA}
2. Calculate the balancing critical value($c_{B_{CLECA}}$) that is associated with the alternative hypothesis (that the CLEC mean does not exceed the ILEC mean by no more than $100\delta_B$% of an ILEC standard deviation; where, δ_B is fixed).
3. If the State test statistic is equal to or falls above the State balancing critical value for three consecutive months, stop here. Otherwise, go to step 4.
4. If the State test statistic falls below the State balancing critical value for three consecutive months, repeat steps 1. and 2. above at the Metropolitan Statistical Areas (MSAs) level.
5. For those cases where the MSA test statistic for the CLEC Aggregate falls below the MSA balancing critical value for the CLEC Aggregate for three consecutive months, go to 6.
6. For each month, Calculate the δ associated with the z-score.
7. Calculate the increase above the materiality factor between the results of steps 6 and 2; m_δ
8. Calculate the Affected Volume by multiplying failure rate by total volume.
9. Plug the result of step 8. into the remedy algorithm to determine payment,

$$\text{where payment} = \sum_{Month=1}^{3} m_\delta * \text{Affected Volume}_{CLECA} * \$\$$$

Exhibit D

DRAFT

EXHIBIT E

Table-1

LIQUIDATED DAMAGES TABLE FOR TIER-1 MEASURES

PER AFFECTED ITEM						
	Month 1	Month 2	Month3	Month4	Month 5	Month 6
OSS Pre-Ordering	$5	$10	$20	$25	$35	$40
Ordering	$10	$15	$25	$45	$55	$65
Provisioning (Coordinated Customer Conversions)	$75	$100	$200	$250	$300	$400
Maintenance and Repair	$75	$100	$200	$250	$300	$400
Billing	$0.10	$0.15	$0.50	$.75	$1	$1.50
LNP	$75	$100	$200	$250	$300	$400
IC Trunks	$75	$100	$200	$250	$300	$400
Collocation	$1,000	$1,250	$2,000	$2,500	$3,000	$5,000

Table-2

VOLUNTARY PAYMENTS FOR TIER-2 MEASURES

	Per Affected Item
OSS Pre-Ordering	$40
Ordering	$65
Provisioning (Coordinated Customer Conversions)	$400
Maintenance and Repair	$400
Billing	$1.50
LNP	$400
IC Trunks	$400
Collocation	$5,000

EXHIBIT F

TIER-1 AND TIER-2
ANNUAL ENFORCEMENT MECHANISM CAPS BY STATE

AL	$ 9,600,000.00
FL	$ 32,500,000.00
GA	$ 20,500,000.00
KY	$ 6,000,000.00
LA	$ 12,000,000.00
MS	$ 6,500,000.00
NC	$ 12,600,000.00
SC	$ 7,500,000.00
TN	$ 13,000,000.00

AFFIDAVIT

STATE OF: Georgia
COUNTY OF: Fulton

I, Alphonso J. Varner, Senior Director-State Regulatory, BellSouth Telecommunications, Inc., do hereby certify that the Late Filed Hearing Exhibit, Item no. 1,Voluntary Self-effectuating Enforcement Mechanisms (VSEEM II), is in fact the second and most recent written proposal to the FCC regarding self-effectuating remedies for performance measurements. Also attached is a list of what we understand to be concerns of the FCC related to the attached proposal.

Alphonso J. Varner

Sworn to and subscribed
before me this 19th
day of November, 1999

NOTARY PUBLIC

MICHEALE F. HOLCOMB
Notary Public, Douglas County, Georgia
My Commission Expires November 3, 2001

REQUEST: Provide the study Mr. Varner cited in his rebuttal testimony on Internet usage. (Transcript, page 725, lines 18-21).

RESPONSE: Attached is a complete copy of the study referenced by Mr. Varner, including the two pages containing the data cited by Mr. Varner concerning the expected growth in the use of the Internet. (NOTE: The date shown is the date printed, not the date compiled.)

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Lead Stories

Young or Old, Many More Consumers Are Online

16 November 1999: More consumers buy, more women buy, and teens pass up TV for the net. Find out what other wonders are happening online!

US Net Users Top 100 Million

15 November 1999: In a new report Strategis Group not only finds lots and lots and lots of users online in America, but that they are getting more savvy too.

Who's Earning from Ads, Who's Not

15 November 1999: According to ActivMedia, the web is not, for the most part, supported by advertising revenues.

Browser War Comes to an End

15 November 1999: Once there were many, now there are two. It's "Last Man Standing" played among the browsers.

Internet Changes Shopping Habits, But Web Ads Find Little Popularity

15 November 1999: They say once you shopped the net, you never go back. eConsumers may like the web a lot but interstitials are still annoying.

Euro-Consumers Spend Online

Advertising
The new trends in online ads. How high will revenues soar?

Geography
Track the Internet as it goes global! From Argentina to Zimbabwe.

Demographics
The profile of the net: age, gender, income, race and every other demo.

Usage
What people do online. Where, when and how.

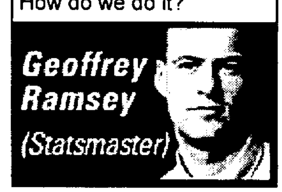
eRetail
How much e-consumers are spending and what they are buying.

eCommerce: B2B
All the key stats on the nuts and bolts of e-commerce.

Doing Business Online
What does it take to succeed online?

Net Take-Aways
11 Net take-aways for online business professionals.

eStats Methodology
How do we do it?



BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 2 of 31

8 November 1999: To the tune of $16 billion, the highest estimate to date.

Japan's Users Take Advantage of Network Services

8 November 1999: Internet providers in Japan are growing, and the number of Japanese users is growing too.

New Report on Internet Economy

4 November 1999: If you want some indicators of how large the economy surrounding the internet is, this report on the Internet Economy Indicators is just for you.

75% of Online Shoppers Abandon Their Carts

1 November 1999: The internet is littered with abandoned shopping carts. Find out why so many online consumers get cold feet when it comes to the check out.

Online Shopping Grows in Germany

1 November 1999: Germany, more than ever, is getting online shopping fever and they are racking impressive revenues.

A Quarter of Britain Surfs!

1 November 1999: Brits are finding many reasons for using the net. Find out who's online and what they are doing.

Logging on for Catalogs

1 November 1999: The natural affinity between catalog shopping and buying on the net is further explored in research from the Direct Marketing Association.

Reports Available from eMarketer

Want to know more about what is happening on the net? eMarketer takes today's net news and puts it in context. Whatever the topic, there is an eMarketer report with the most

eQuiz

Answer: Travel $6 Billion (32% of total e-retail revenues)

eMarketer for stats

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This Week's ePoll

Within 5 years, how much of the workforce will telecommute full-time

○ 10% -- 20%

○ 20% -- 30%

○ Almost half

○ No change from today

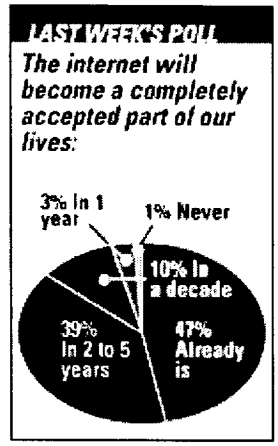
○ No opinion

Submit Answer

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 3 of 31

comprehensive, detailed and up-to-the-minute picture of the internet marketplace.

To see a complete list of currently available and upcoming reports, to get more information on a specific report, or to order copies, click here.



Thursday, November 18, 1999

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eStats Methodology

Data Chaos

If you are feeling overwhelmed by the barrage of confusing and conflicting statistics you've seen relating to the internet, you are not alone (and you have come to the right place).

The often-wide discrepancies seen between research figures create confusion and frustration among online marketers, e-merchants, ad agencies, consultants, entrepreneurs and other industry watchers struggling to get their arms around the constantly evolving internet marketplace.

For instance, eMarketer counted no less than 12 different estimates from 12 different researchers for the dollar value of consumer electronic commerce revenues transacted over the 1998 holiday shopping season. The figures ranged from a low of $2 billion to a high of $8 billion (see grid below). Similarly, we have looked at 23 different estimates for the number of people online in the United States.

Why Don't Researchers' Numbers Agree?

Three principal factors explain the discrepancies seen in the published figures:

1. different definitions

2. different methodologies

3. hidden biases

In addition, though most researchers won't admit it, there is a considerable amount of guesswork involved in measuring anything to do with the internet.

How is eStats Different?

eStats (the statistical arm of eMarketer) cuts through the hype, misinformation and sheer

Questions or comments on eStats?

Click Here

The free stats provided here are updated every 6 - 8 months. For the most recent stats, analysis and trend data, visit our eStats Report Page.

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 5 of 31

data tonnage to give you straightforward answers on every aspect of the internet.

Unlike other research organizations, eStats does not conduct primary research. As a result, we have no testing technique to protect, no research bias and no clients to please.

Aggregation Approach

The eStats methodology is founded on a simple philosophy of aggregation:

> **The key to approaching quantitative truth -- particularly when examining the internet marketplace -- is to consider data from as many reputable sources as possible. No one has all the answers. But taken together, multiple sources, coupled with healthy doses of common sense and business intelligence, create a reasonably accurate picture.**

The eStats research team gathers research studies, surveys and reports from hundreds of published, publicly available sources from around the world; we then filter, organize and synthesize the information so it can be entered into our eStatNet Model™, a proprietary statistical model of the entire web.

From the model, we develop our own analyses, estimates and projections about the size, shape and direction of the internet. This information is presented, along with detailed source comparison data, in the form of tables, charts, graphs and analysis. As a result, each set of findings reflects the collected wisdom of numerous research firms and industry analysts. The benefits to our readers are three-fold:

- The information is more objective and comprehensive than that provided by any other single research source.
- The information is available in one place -- easy to find, evaluate and compare.
- The information can be quickly accessed to make intelligent, well-informed business decisions.

"We see the growing proliferation of new internet research studies, surveys and reports as an exciting challenge -- to continuously assimilate these new datapoints into a

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 6 of 31

meaningful, coherent whole -- to make sense out of chaos."

--Geoffrey Ramsey, Statsmaster, eMarketer

eStats: Range of Estimates for Dollar Value of Consumer eCommerce Revenues During the 1998 Holiday Shopping Season

Source	1998	4Q 1998 (Holiday)	4Q as a % of Total Year
Cyber Dialogue	6,200	$2,000	32.3%
InfoBeads (Ziff Davis)	Na	$2,000	Na
eStats	5,300	$2,014	38.0%
Jupiter Communications	5,800	$2,300	39.7%
Volpe Brown Whelan	6,000	$2,300	38.3%
Dataquest/Gartner Group	6,100	$2,350	38.5%
Yankee Group	7,200	$2,550	35.4%
Binary Compass	Na	$2,900	Na
IDC	11,500	$3,444	29.9%
Forrester Research (re-cast $'s)	7,800	$3,500	44.9%
Boston Consulting Group	13,000	$4,400	33.8%
MCA (Interpublic Cos)	Na	$8,200	Na

Source: eStats, 1999

Top

eNews | eStats | eList | eDirections | eLinks | eCommunity | eServices | Contact us | Privacy | Home

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2

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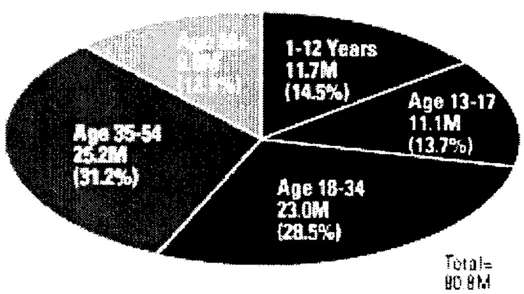
The Definitive Guide to Who's Online in the U.S. -- and What They Do.

The eUser & Usage Report, 179 pages with 305 charts and graphs and packed with statistical profiles for all U.S. internet users, goes beyond the latest on market size and growth. It Report, paints an up-to-the-minute three-dimensional portrait of the internet.

US Internet User Population, by Age Group, for 1999



Source: eMarketer, 1999

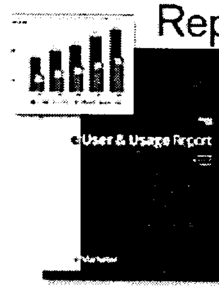
Whatever demographic profile you need -- age, gender, income, occupation, marital status, household size, race or ethnicity -- the eUser & Usage Report has it. The report targets the internet user categories that are re-shaping the web, including: women, children, teens, students, seniors, minorities, gays and business users.

This report shows, how, where and when people go online -- and why. It is full of detailed statistics on what users do online: from downloading music to banking to playing games.

Do you know?:

- How many people are online in the US?
- What are the income breakdowns for US internet users?
- How many kids, teens, adults and seniors surf the web?
- What do teens do most online?
- How do people find sites on the web?
- What minorities have established a presence on the web?

eUser&Usage Report™



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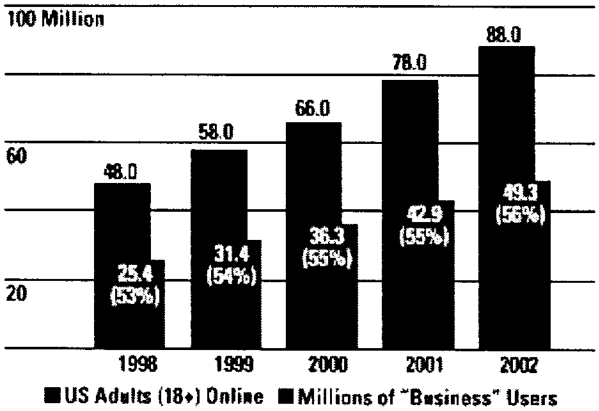
BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page8 of 31

- How does African-American usage compare to other minorities?
- How many hours a week do seniors go online?

These and hundreds of other questions you need to know are answered in the eUser & Usage Report.

Primary Business Users Out-Number Primary Home Users*



Source: eMarketer, 1999 *Business users spend more than 50% of their time online for business matters

This report offers a host of data points from the most reputable and reliable sources available, including the US Census, Forrester Research, Jupiter Communications, Media Metrix and more. The collective wisdom of the world's leading research organizations gives you a plete and comprehensive understanding of who's doing what online

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Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 9 of 31

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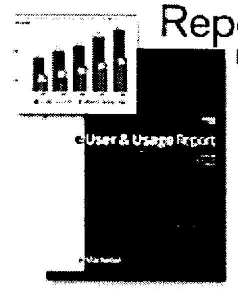

Table of Contents

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Newsletter sign-up

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eUser & Usage Report

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eGlobal Report

eAdvertising Report

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BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 10 of 31

eUser&UsageReport

III

A.

1. Worldwide Internet Users, 1998-2003 (Adults 18+ Years Old)
2. World's Population of "Active" Internet Users, as of Year end 1998
3. World Population of "Active" Internet Users By Region, as of Year end 2002

B.

1. Millions Online in North America, 1998-2002 (Adults 18+)
2. Millions Online in Canada, 1998-1999 (Adults 18+)
3. Computer Industry Almanac: Growth in North American Internet Users
4. Computer Economics: Growth in North American Internet Users, in Millions
5. Computer Economics: Growth in Number of Children Online in North America, in Millions

C.

1. US Adults (18+) Net Users as a % of Total US Adults Aged 18+
2. Million Online in the US, and as a Percent of the World's Total (Adults 18+)
3. Number and Percentage of "Active" Net Users in the US (Aged 14+), in Millions
4. US Internet Usage is Growing Rapidly (Among Users Aged 14+)
5. Source Comparison: Millions of American Adults (18+) Internet Users in 1998
6. Source Comparison: Millions of American Adults (18+) Users in 1999
7. Growth of US Internet Connected Population (% of US Population Online)
8. Total Number of American Adults with Net Access vs. Actual Online Usage (for August 1999)
9. Source Comparison: Millions of American Adult Internet Users in the Year 2002
10. Millions of "Actively" Connected Households in the US and as % of Total US Households
11. Source Comparison: Millions of American Households Online in 1999
12. Penetration of Mass Media in US Households
13. Comparison of Household Penetration Rates for Various Technologies

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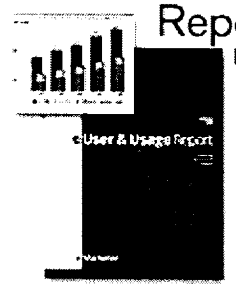

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BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 12 of 31

14. Penetration of Consumer Tech Products in Online Households
15. PC and Internet Penetration of US Households
16. Number and % of Households with PCs
17. US Household Penetration of Telephones, By Central City, Rural and Urban Areas

IV

A.

1. Measuring Adults and Teens (13-17), for Overall US Population and Net Users
2. Net Penetration Rate in US is Approaching 30% (including Children aged 1-17)

B.
C.

1. Age Group Distribution within Total US Population
2. US Internet User Population, by Age Group, for 1999
3. Children Aged 1-17 years Old: Comparison of Overall US with Net Users
4. Millions of Online Adults, by Age Group
5. Distribution of US Adults (18+), Among Total Adults and Online Adults
6. Average (Median) Age of Overall Americans vs. Net Users
7. Source Comparison: Distribution of Adult Net Users by Age Group
8. WebCensus: Net Users by Age Group, in 1998
9. Jupiter: Net Users by Age Group, in 1999
10. Nielsen/NetRatings: Net Users by Age Group, in 1998
11. GVU: Net Users by Age Group, in 1998

D.

1. Net User Gender Balance: Women are Gaining on Men
2. Millions of Women Online and as a Percent of Total Net Users
3. Source Comparison: Women as a Percent of Total Net Users
4. Male vs. Female Usage Online: 1997-1998
5. IDC: % of Net Users Who are Women
6. Jupiter: % of Net Users Who are Women
7. Mediamark: % of Net Users Who are Women
8. Business Week/Harris Poll: % of Net Users Who are Women
9. Media Metrix: % of Net Users Who are Women

E.

1. % of US Households Earning Under/Over $50,000
2. Income Distribution Among Total US Households (% of total HHs)
3. Income Increases with Net Involvement
4. Source Comparisons: Median Income of Net Users
5. % of US Net Using Households Earning

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 13 of 31

Under/Over $50,000

6. Millions of Total US vs. Net Using Households, by Income Level
7. Comparison of Income Distribution Between Total US vs. Net Using Households
8. Income Correlates Strongly by Internet Usage Among US Households
9. Percent of Net Using Households Earning $75K+
10. Household Access to the Internet, by Income (% of Income Group with Net Access)
11. Source Comparison: Income Distribution of Net Users, Versus General Population
12. Percent of Households with Income Over $60K
13. Percent of Households with Income Over $50K
14. Percent of Net Using Households with Income Over $55K
15. Percent of Net Using Households with Income Greater Than $50K
16. Percent of Households Who Are Online, by Income Group
17. Nielsen/NetRatings: Income Distribution of Net Users for 1998
18. GVU # 10: Income Distribution of Net Users for 1998
19. Distribution of Web Users by Socio - Economic Group
20. Telephone Penetration by Income (1998)

F.

1. Education Correlates Closely with Net Involvement - % with a College Education
2. Source Comparison: % Having a College Education
3. Distribution of Internet Users by Educational Attainment (% of Total Net Users)
4. Source Comparison: Education Among Internet Users
5. Percent of Net Users with a College Degree or Higher

G.

1. Source Comparison: Distribution of Net Users by Occupational Type
2. Distribution of Net Users By Occupational Type

H.

1. Source Comparison: Marital Status of Internet Users
2. Marital Status of Net Users
3. Distribution of Net Users by Household Size
4. Internet Penetration in US Households by Presence of Children

I.

1. Growth Trends for Race Groups in the United States (based on total US population)
2. July 1999 Snapshot of Race Distribution within Overall US
3. Distribution of Net Users, by Race

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 14 of 31

4. Source Comparison: Distribution of Net Users by Race Group
5. Blacks Under - Represented Online
6. July 1999 Snapshot of Ethnic Distribution within the Overall US
7. Percent of Ethnic Group Who Are Online in US - 1999
8. Distribution of Ethnic Groups in America - Overall Versus Online
9. Comparison: Distribution of Ethnic Groups within Overall Population vs. Internet Population
10. Ethnic Groups: Millions within Overall Population vs. Internet Population
11. Millions of Internet Users, by Ethnic Group
12. Source Comparison: Distribution of Net Users by Ethnic Group
13. Penetration of Internet Among Ethnic Groups
14. Ethnic Household Representation Online
15. Hispanic and Blacks Are Underrepresented Online
16. Growth in Online Households, by Ethnic Group (% households Online)
17. General Demographics, Whites, Blacks & Hispanics, 1998
18. Hispanics in America
19. US Households with a Computer, by Ethnic Group (1998)
20. US Households with a Computer, by Ethnicity & Income
21. US Households Accessing the Internet, by Ethnicity and Income
22. Reasons for Household Not Having Net Access
23. Reasons for Households Not Having Net Access, by Ethnicity
24. Telephone Penetration by Income, Ethnicity (1998)
25. Poverty by Race in America

J.

1. US Internet User Penetration by Type of Area
2. US Internet User Penetration by Country Size
3. US Internet User Penetration by Geographical Region
4. Urban Internet Markets
5. Where the Online Buyers Live (1998)

V

A.

1. Women Online as a Percent of Total Net Users
2. Profile of Women Online
3. Women Control the Purse String in America
4. Women as a % of Total Net Users and Buyers (for 1999)
5. Source Comparison: % of Net Purchasers Who Are Women (1999)
6. Opinion Research: % of Women and Men Who

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 15 of 31

Buy Online
7. Online Purchase Clout: Women vs. Men
8. Projected 2001 Worldwide Internet Gender Balance, by Region, in Millions
9. Woman Get Online Less Frequently: How often do you access the Internet, not including e-mail?
10. % of Online Users in Each Gender Performing the Following Tasks:

B.

1. Children Account for 08.7% of the US Population - 1999
2. Population of Children in the US, Aged 12 and Under, in Millions
3. Millions of Children Actively Online in America (aged 1-12)
4. Kids (and Teens) Online, Aged 5-18
5. Online Kids Aged 6-12 years Old
6. Source Comparison: Net User Children & Teens (Under Age 18) as a % of Total US Net Users
7. Percentage of Kids with Home PC Access Who Are Also Online
8. Among Kids (5-12): % Saying They Spend Time Online at Activity
9. Kid's Favorite Online Activities
10. % of Kids and Adults Who Say They Like Using the Web
11. The Net Effect s on Television Viewing Among Children
12. Media Consumption Among Online Children (5-17) (% of week Spent on Activity)
13. What Worries Parents About Kids On the Net (% of parents citing)
14. Privacy Policies on Children's Sites (% Collecting Info On:)

C.

1. Millions of US Teens (13-17 years)
2. Millions of Teenagers (13-17) Actively Online in the US
3. Teens (13-17) vs. Adults (18+) Online
4. Teen Net Users, in Millions and as a % of Total Teen and Adult Users
5. Millions of US Teens Online (13-18 years)
6. Average Hours Spent Online Each Week Among Net User Group
7. Teens' Hours Spent Online Per Day
8. Teen Internet Access Within Homes with PCs, 1997-1999 (for ages 9-17)
9. Teen Online Habits
10. Top Reasons Teens Go Online
11. School Related Activities that Children Use Computers for at Home
12. Teen Activities with PCs, 1997-1999 (for Ages 9-17)
13. Activities Displaced by Teen Online Usage, for Teens Aged 9-17

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 16 of 31

14. Teens Spending Overall in the US
15. Where Teens Spend Their Money
16. Teen Purchasers, in Millions and as a % of Total Net Using Teens
17. Teen Spending Online, In Millions and as Percent of Total Teen (Offline and Online) Spending, for 1997-2002 (Millions)
18. Teens Online Spending vs. Total Online Spending, in Millions
19. Top Buys Among Teen Online Shoppers
20. Teens vs. Adult Net Users Who Would Buy Online If:
21. Forrester's Five Net Rules for the New Economy

D.

1. % of College Students Who are Active Internet Users
2. Source Comparison: % of College Students Who are Online
3. Percent of College Students Who...
4. Source Comparison: Average Hours Spent Online by College Students Each Week
5. College Students Get Online for: (Rated by "Most Important" Reason)
6. Top Reasons Why College Students Access the Internet:
7. Percent of Colleges and Universities Surveyed, Who:
8. Planned Use of the Internet in College Search, Among High School Students
9. How the Internet is Used in College Search
10. College Student Buying Power
11. Source Comparison: % of College Student Net Users Who have Purchased Online
12. College Student Spending

E.

1. Seniors (55+) Within the Overall US Population, for 1999
2. Growth in Senior (55+) Online, in Millions and as a Percent of Total Seniors
3. Source Comparison: Seniors As a % of Total US Web Users
4. Comparison of Growth Rates for Online Seniors vs. Non Senior Adults
5. Seniors Online, in Millions and as a Percent of Total Adults Online
6. Demographics of Seniors Online
7. Wired Senior Demos
8. Reasons Why Seniors Get Online
9. Source Comparison: What Seniors Do Online
10. Online Information Sought by Seniors vs. All Users
11. Discretionary Income Per Capita
12. Growth in Seniors Buying Online, in Millions and as a Percent of Total Seniors Online
13. Senior Buying Power Online, in Billions

F.

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 17 of 31

1. US Households Accessing the Internet, by Ethnic Group (%of Group Online)
2. US Ethnic Groups: % Who Access the Internet, by Location
3. US Ethnic Groups Accessing the Internet From Outside the Home
4. Connected US Individuals Accessing the Internet at Home, by Race, Application
5. US Individuals Using the Internet at Home, by Task

G.

1. Gay & Lesbian Household Income

H.

1. "Active" Adults (18+) Net Users in the US
2. Place of Access
3. Place of Net Access Grid (Among Active US Net Users)
4. Primary Business Users Out - Number Primary Home Users
5. US PC installed Based Favors Business Over Consumer Market - 1999
6. US PC installed Based Favors Business Over Consumer Market, in Millions for 1997-2002
7. Installed Base of US Internet - Connected PCs, in Millions for 1997-1999
8. US Internet Access Points: Business Beats Consumer at 60:40
9. US Business Versus Consumer Internet Access Points
10. Office Users vs. Home Users in United States
11. Time Spent Online - Comparing Home vs. Office Users, 1998
12. Comparison Among Office vs. Home Users for Time Spent Online - February 1999
13. Comparison Among Office vs. Home Users for Time Spent Online - July 1999
14. Average Weekly Hours Online, by Location - 1999
15. Total Weekly Hours Online By PC User Type Aggregated in Millions
16. Business Usage in 1998
17. Average Daily Unique Pages Per Visitor in a Month - February 1999
18. Average Unique Pages Per Visitor Per Day
19. Historical Tracking Data Has Been Skewed Towards Home Usage (Numbers of Users in in Millions, for 1999

VI

A.

1. Place of Net Access Grid (Among Active US Net Users)
2. US Internet - Connected PCs, by Location
3. Internet Access by Location in 1998: Home vs. Work
4. US Ethnic Groups: % Who Access the Internet,

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 18 of 31

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 19 of 31

12 Trafficked Websites, in Millions
11. Average Monthly Pageviews, by Content Category

E.

1. Entertainment/Sports/Lifestyle Sites are Popular (Figures are from the month of July 1999)
2. The Entertainment Mix: %of Total Users Online
3. Online Radio Listenship
4. What Online Radio Listeners Tune Into:
5. Features offered on Internet Radio Sites
6. Rating of Internet Radio Listening Experience
7. Sources of Online News, Among All Internet Users
8. The Net is a Reliable News Source
9. News Interests of Online News Audiences
10. Millions of People Using:
11. Online Audience Comparison: Bank vs. Brokerage Sites
12. Where Investors Look for Financial Information
13. Millions of US Adults Who Have:
14. Online Tax Preparation Activity (Percent of Users Getting Online Tax Information)
15. Profiles of Electronic Tax Filers vs. Mail Filers, for 1999
16. Top Web Sites Include Those with Porn Content
17. Porn Site Visitors, by the Demos
18. Online Calendar Usage, In Millions

F.

1. % Using Method to Find a Website
2. Which Search Engine or Online Directory Do You Use Most Frequently?
3. Why Surfers Return to Websites
4. Teens Learn About Sites Through Word of Mouth
5. Source Comparison: Effect of the Internet on Other Media & Activities (% Decrease)
6. Circulation Declines at Major US Newspapers
7. Source Comparison: The Effect of the Internet on Television (% of Net Users Spending Less Time Watching TV)
8. Average Time Spent Per Day Among US Adults
9. The Net's Effect on Television Viewership
10. Multi-Media-Tasking: % of Users Online Who Are Simultaneously
11. Telewebber Profile

G.

1. Consumer "Online Buying" Definitions, According to eMarketer
2. Consumer Online Buying Grid, 1998-2002
3. Millions of Households Online and Buying, for 1997-2002
4. Ecommerce Activity Takes Place at Work As

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 20 of 31

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 21 of 31

Thursday, November 18, 1999

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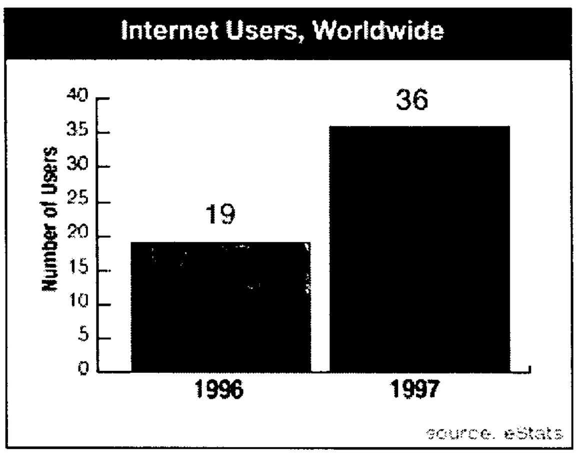
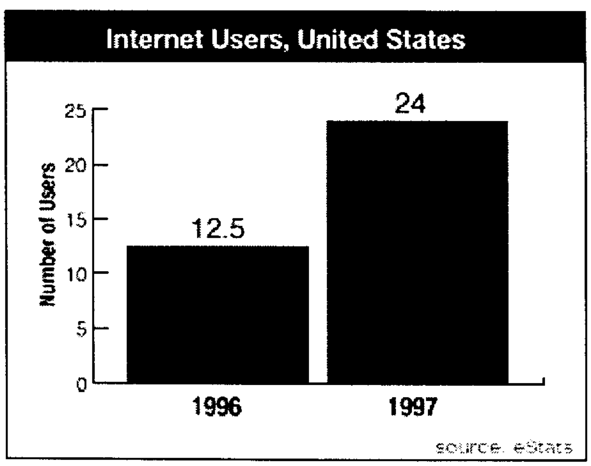
Net Market Size and Growth: Number of Net Users, Today

eStats estimates that there are 36 million internet users worldwide today, up from only 19 million in 1996. The United States currently has 24.0 million users, accounting for two-thirds of net people worldwide.





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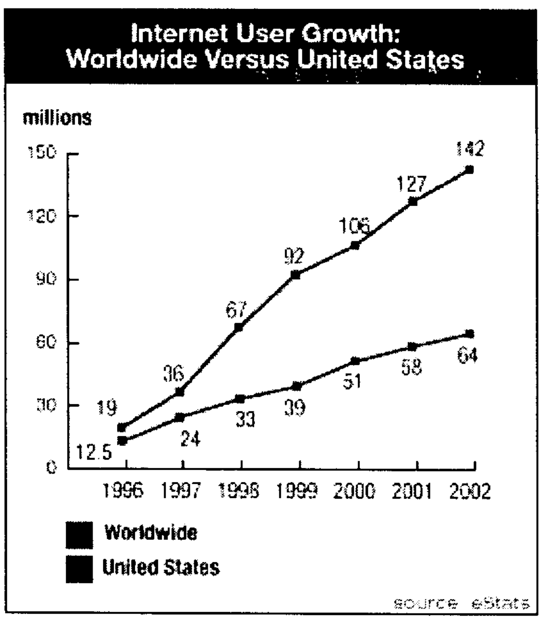
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 22 of 31

Thursday, November 18, 1999

Net Market Size and Growth: Number of Net Users, Projected

Worldwide, eStats projects that the number of internet users will nearly quadruple over the next five years, from 36.0 million in 1997 to 142.0 million by the year 2002. This represents an average annual growth rate of 79%.

In the United States we see the number of internet users growing from 24.0 million in 1997 to 64.0 million in 2002, based on an average annual growth rate of 53%.



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Number of Net Users, Today
Number of Net Users, Projected
Set Top Boxes
Browser Wars
Domains, Hosts, & Sites
Servers
Online Services
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PC Growth
e-Mail
Modem Growth
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BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 23 of 31

Thursday, November 18, 1999

Net Market Size and Growth: Internet Service Providers

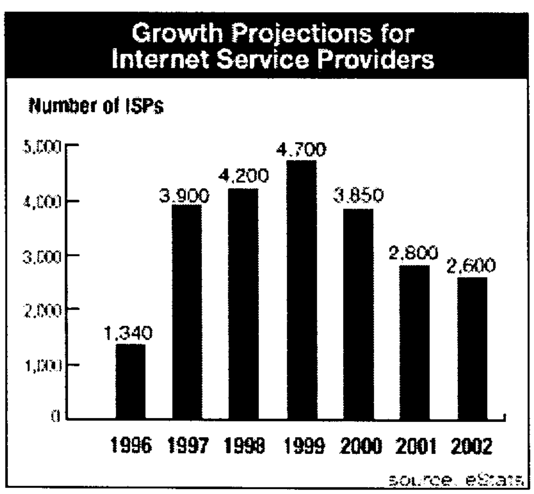
There are two opposing forces governing the size, shape and growth of the ISP marketplace today:

1. the industry trend towards consolidation, led by the giant cable and telecom companies which have the infrastructure and financial resources to swallow up smaller ISP firms, and

2. the emergence and proliferation of segmented or "vertical" ISPs dedicated to a specific industry, region or user group.

Reconciling these two trends, eMarketer foresees a continued build-up in the number of ISPs through the year 1999, followed by a gradual consolidation as the smaller, less competitive players get weeded out.

The ramp-up and subsequent decline in number of ISP entities will resemble a bell curve, based on 1,340 estimated for 1996, rising to a projected peak of 4,700 in 1999 and followed by a precipitous drop-off to only 2,600 in 2002.



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BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 24 of 31

eNews | eStats | eList | eDirections | eLinks | eCommunity | eServices | Contact us | Privacy | Home

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 25 of 31

Thursday, November 18, 1999

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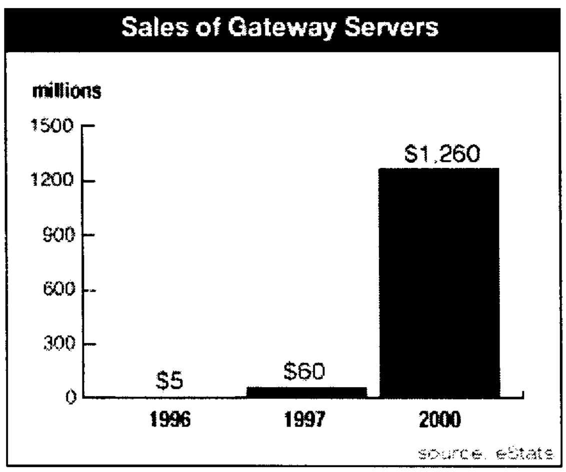
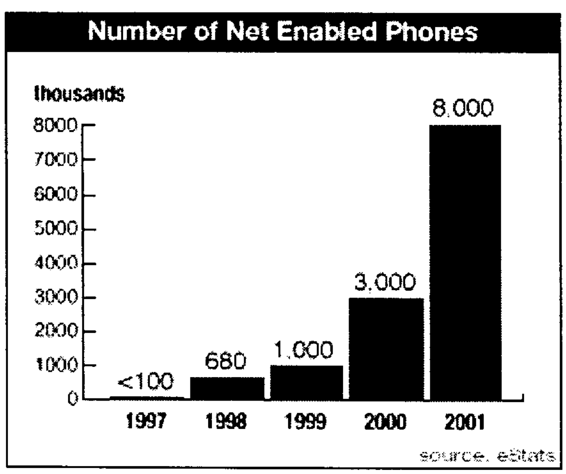
Net Market Size and Growth: Net Telephony

Net telephony is gradually building steam as the number of gateway servers continues to grow. Gateway servers enable people to call long distance over the internet -- at dramatically reduced prices.



By the year 2002, Probe Research predicts that nearly 20% of all domestic phone traffic will be carried over data lines, up from only 0.2% this year.



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BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 26 of 31

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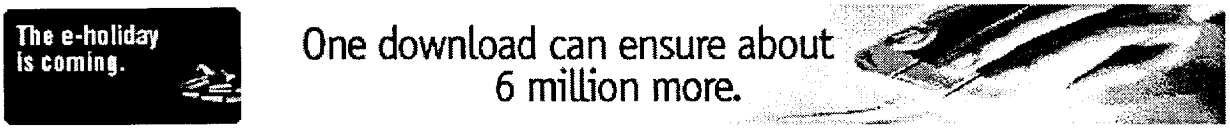

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Usage Patterns: How Much Time Spent Online

Based on our analysis of current as well as historical research data, people are spending an increasing amount of time online. In 1997 the average net user household spent 4.9 hours per week online, but that number has now risen to 5.4 hours, representing an increase of about 10%.

Despite this increase in average hours per week, only about 26% of net users get online on a daily basis.

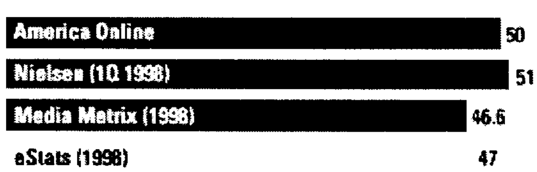
Average Net Hours Per Week, Per Household

Source	Average Hours Per Week
Intelliquest	9.8
Odyssey Homefront	9.4
Computer Intelligence	6.3
Net Ratings	6.1
Strategis Group	6.0
eStats	5.4
Media Metrix	5.0
ZD Market Intelligence	4.5

Source: eStats

The average America Online user, in contrast, spends about 47 minutes per day online, or roughly 5.5 hours per week.

Average Number of Minutes Spent Per Day on AOL



Source: eStats

Another way to evaluate time online is to examine frequency distributions. Here, too, eStats has seen more net users creep up into the higher frequency brackets.

eStats: Time Online Per Week

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Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 28 of 31

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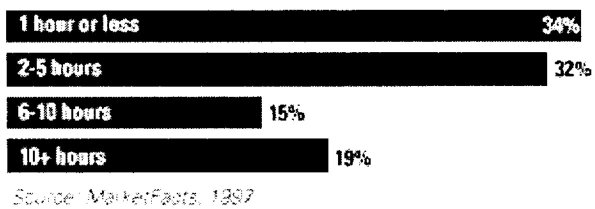
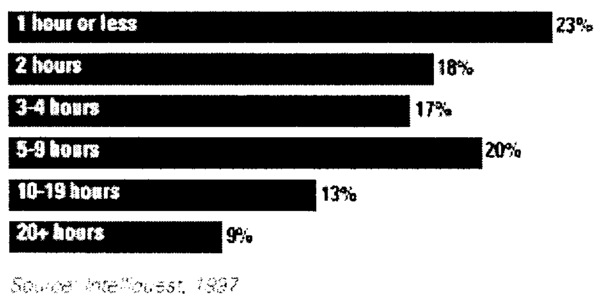
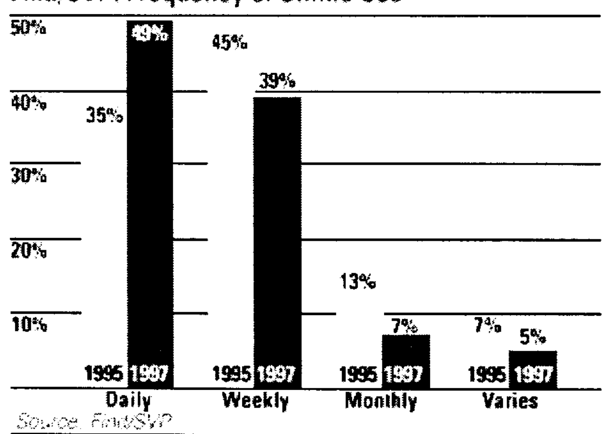


Intelliquest: Time Online Per Week



Find/SVP: Frequency of Online Use



back | next

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BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 30 of 31

Thursday, November 18, 1999

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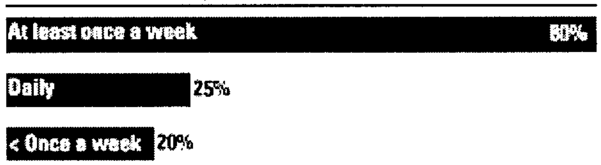
Usage Patterns: How Much Time Spent Online

GVU-8: Frequency of Net Usage

Net Users Who Use the Net	Percent
Daily	85%
1 - 4 times per day	45%
use it more frequently	41%
use it less frequently	20%

Source: GVU-8, 1998

InternetTrak: Frequency of Net Usage



InternetTrak, 4Q 1997

back

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Reasons for Being Online
How Much Time Spent Online
Navigation Tools Used on theNet

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BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-2
November 19, 1999
Item No. 2
Page 31 of 31

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 and Docket 99-00377
Late Filed Hearing Exhibit AJV-3
November 19, 1999
Item No. 3

REQUEST: Provide the number of Professional Services Agreements (PSAs) for provision of combinations of UNEs by BellSouth that have been filed with the Tennessee Regulatory Authority (TRA). (Transcript, pages 738, line 21 to page 739, line 1)

RESPONSE: None. BellSouth has no PSAs with CLECs that are certified to provide facilities-based local service in Tennessee.

REQUEST: Please provide: (1) copies of studies supporting the average duration of local and ISP calls; and (2) available information concerning the average duration of all calls, except long distance. (Transcript page 742, line 14 to page 744, line 2)

RESPONSE:

(1) Attached is a copy of: (a) Report of the NARUC Internet Working Group, "Pricing and Policies for Internet Traffic on the Public Switched Network"(March 1998); (b) Atai and Gordon, "Impacts of Internet Traffic on LEC Networks and Switching Systems" (Bellcore 1996); and (c) Atai and Gordon, "Architectural Solutions to Internet Congestion Based on SS7 and Intelligent Network Capabilities" (Bellcore 1997).

(2) BellSouth does not have the requested information readily available. However, BellSouth is attempting to derive this information from available data and will supplement its response accordingly.

PRICING AND POLICIES FOR INTERNET TRAFFIC ON THE PUBLIC SWITCHED NETWORK

REPORT OF THE NARUC INTERNET WORKING GROUP

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Acknowledgements

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Michael Dorrian (Ohio)

FINAL DRAFT

Submitted to the Committee on Communications at the NARUC Winter Meetings, Washington, D.C., March 1998

I. Introduction

Growing use of the public switched telephone network (PSN)[1] to access the Internet presents new, difficult policy concerns for regulators. Promotion of Internet use is consensus public policy nationally and even worldwide. But snowballing Internet growth has costs and allocative implications for Internet relayers (including providers of both the backbone network and access), for intermediate telecommunications carriers, and for end users, including both individuals and businesses.

This report is the product of efforts by members of the National Association of Regulatory Commissioners (NARUC) Communications Committee and Communications Staff Subcommittee to address current public policy issues on use of the PSN to access Internet services to exchange messages and information, transfer data, and conduct transactions. Some of the issues were first formally raised before the Staff Subcommittee in a provocative panel discussion at the NARUC Winter Meetings in Washington, D.C., in February 1997. The Internet Working Group was formed at the winter meetings and sent a questionnaire to industry players in mid-April 1997. The Working Group reviewed responses to its questionnaire, comments filed at the FCC Notice of Proposed Rulemaking (NPRM) on Access Charges,[2] and comments filed in response to the FCC Notice of Inquiry (NOI) regarding use of the PSN by Internet service providers.[3] A follow-up panel presented further discussion of the issues before the NARUC Communications Committee at its summer meetings in San Francisco in July 1997. The first draft of this paper was presented along with a request for comment at the NARUC Annual Meeting in Boston in November 1997.

AT&T reports that there will be 30 million Internet accounts for 43.2 million households and 2.1 million businesses by the year 2000. This growth will help people to do such things as pay bills, improve themselves through education, and work at home. Demands will also be made of the network to provide greater and greater bandwidth as multimedia, voice and other Internet applications become more commonplace. Intermediate telecommunications carriers (the ones that connect Internet end users to the Internet) are concerned that these increasing costs are not being borne by those causing the investments, thus straining the capabilities of some telecommunications resources previously deployed for other public and private purposes. The

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[1] The FCC has begun to use the term public switched network, or PSN, in place of the public switched telephone network, or PSTN. The term PSN applies to "any common carrier network that provides circuit switching between public users." *Newton's Telecom Dictionary*, 9th edition (New York: Flatiron, 1995), 914.

[2] FCC 96-488, released December 4, 1996, Access Charge Reform, CC Docket 96-262.

[3] FCC 96-488, released December 4, 1996, Usage of the Public Switched Network by Information Service and Internet Access Providers, CC Docket 96-263.

FCC's exemption of Internet service providers (ISPs) from access charges may be hindering migration of Internet use to more appropriate technology than the existing PSN, which is currently designed to handle voice traffic rather than data.

The Internet is first being deployed to large businesses and wealthier, more urban residential users. Schools, libraries and rural health care facilities nationwide are receiving subsidies for Internet investments under the Telecommunications Act of 1996, but there is no promise that other rural and low-income customers will receive Internet access any time soon. Planning for universal service has not addressed the means to support a ubiquitous national rollout of advanced telecommunications services maintained at affordable rates.

In this report, we analyze issues of PSN congestion, local access pricing, and universal service from the perspective of public service commissions concerned for the public interest, including the preferences of U.S. customers of telecommunications and Internet services and the broad range of providers of those services. Internet issues have also been addressed at the national level by the Federal Communications Commission (FCC), the Clinton administration, the National Telecommunications and Information Administration (NTIA) — the Administration's policy advisory arm — and the Rural Utility Service (RUS) in the Department of Agriculture.

We first address, in a qualitative way, the technical impact of the Internet on the PSN. We limit our analysis to consideration of calls dialed to *reach* the Internet. Some of this congestion is due to ISP failure to provide a sufficient number of connections for their users, so the users experience busy signals when they attempt to dial in.[4] We do not address a second problem, the phenomenon known as the "worldwide wait," named because of slow responses to user requests while they are online to the Internet. Nor do we address congestion problems that may arise as a result of dial-ups to computers that do not involve connections with the Internet.

In Section II we review technical solutions for the problems posed to the PSN and some other vehicles for access to the Internet. The question is posed as to whether the PSN is the appropriate vehicle in the long term for carrying this traffic or whether some other network is better suited. We discuss the various technologies that may be used to provide access to the Internet, and their suitability and likelihood of becoming the preferred method of access in the short term and long term. We provide an initial, broad analysis of the costs of migrating the PSN to a data environment and relate this to currently available technology and emerging technologies.

Section III attempts to bridge the gap between the current regime of ISP exemption from access charges and appropriate pricing for the future. We examine the effects of the exemption,

---

[4] Many software programs allow the user to instruct the computer to continue to dial until it successfully connects with the other computer. In the worst cases, repeated dialing may last an hour or more when the ISP has insufficient capacity for its customers. If many callers are engaged in repeated redialing, their combined calls could make a large contribution to busying out a switch

exploring the positive and negative results of the exemption up to now and into the future for Internet use and the PSN. We discuss pricing options that may be suitable for high bandwidth data users as the PSN migrates toward a data environment.

Section IV is a discussion of some universal service issues raised by deployment of Internet services. The burden may fall on states to fund any early diffusion of advanced telecommunications services to high-cost and low-income areas. We examine possible state and federal policies for making Internet service available and affordable throughout the United States.

Having explored all of the issues and provided an analysis of the various dynamics and viewpoints we summarize the Working Group's conclusions and recommendations in Section V.

II. Technical Sources and Engineering Solutions to Possible Internet Congestion

The Internet is a packet-switched backbone network designed for data transfer, delivery, and retrieval. An important difference between packet-based and circuit-based networks (that is, the traditional, analog, circuit, local portion of the telephone network or PSN) is that the public switched circuit network relies on a continuous connection through the switching and transport networks to transfer voice or data, while the packet network is active only when delivering packets. In a circuit network, a channel is established for communications between the end users, and that channel is maintained until the connection is terminated. In addition, packets can be stored off-network for later access, delivery, or retrieval by an individual or group of users and need not be transported in sequence or over the same pathway. Thus a continuous packet connection to the Internet does not tie up the Internet work as an analog circuit connection would.

Because a continuous connection is maintained, using the analog voice network for data communications over the Internet is much less efficient than using a packet-switched network. In an Internet call, the Internet Service Provider (ISP) as well as the ISP's customer may be considered end users. ISPs are often connected both to a packet network over high speed dedicated facilities on one side for communication with the Internet and to the PSN through local business lines on the other side to provide access for end user customers. When an ISP bridges the circuit-switched PSN and its packet-switched network, the mismatch of technology is only partially mitigated by modems. Modems (modulator/demodulators) convert digital data for transmission over the local (or toll) analog network to the interconnection point of an ISP where it is packeted for delivery over the Internet network.

There is little doubt that the Internet has caused changes in the capacity used for some PSN calls and in the average duration and number of calls. The Internet has also affected the patterns of local use among and within LECs. LEC data show that the average duration of Internet calls is considerably longer than that of local voice calls. The LECs claim that the growth in number and duration of Internet calls has caused facility congestion problems in interoffice trunking common in multi-office exchanges and extended area service (EAS) arrangements. ISPs, on the other hand, allege that empirical data do not prove the existence of congestion on the Internet. They and other observers believe the PSN, if properly managed, will be able to accommodate the growth with little problem. While many organizations debate the locus, frequency, and severity of Internet access congestion using the PSN, the technical community is preparing short-, medium- and long-term solutions. This section examines some possible directions that PSN access to the Internet network may take.

The long-term scenario foreseen by all respondents to the Working Group survey is the relocation of interoffice data services from the PSN to a digital packet network. Access to the packet "cloud" could be achieved through many means, including improved resource management, residential Integrated Services Digital Networks (ISDNs), digital subscriber loops (DSLs), or displacement of dial-up over analog modems with cable modems or wireless.

Respondents to the NARUC survey and to the FCC's NOI regarding Usage of the Public Switched Network by Information Service and Internet Access Providers (Docket 96-263) provided valuable insight into specific mechanisms of the congestion problem but not its scope. The primary problem is excessive blocking of calls at originating end offices due to resources in use by calls to Internet service providers (ISPs). Sub-problems include:

1. Quantities and configuration of (inbound) line control modules (LCMs)

2. Insufficient interoffice trunking

3. Lack of sufficient terminating CPE (for example, ISP modems) as blocked users persistently re-dial

ISPs must work to avoid the third type of problem above, where their modem banks are oversubscribed and caller retries "busy out" the switch. The same "first order" statistics developed by telcos can assist ISPs in designing the capacity of their trunks and modem banks.

Two fundamental premises must be presented as background. The first is that all communications networks are designed to meet probabilistic demand calculated at the busiest hour of the day, week, month, and year — and are not designed to provide service to all customers simultaneously. The second is that this busy hour exists during the work day and consists mostly of voice calls. While it is true that, on average, call durations ("holding times") by modem to ISPs are longer than voice calls (Bellcore: 20 minutes compared to three minutes, respectively), it is the total traffic offered in centum-call-seconds (CCS) that is the center of the congestion problem. While many respondents could identify PSN usage attributable to Internet calls, no telephone company contended that the Internet has *in general* caused shifts in the busy hours. At face value, this would indicate (falsely) that the existing voice network is sufficient for Internet callers and that no additional capital equipment is required. Rather, situations arise where additional equipment has been required to maintain quality of service. In their survey responses, PacBell and Bell Atlantic cited examples of congestion in their Santa Clara and Herndon end offices, respectively.

Short Term: Improved Resource Management

The primary reaction to congestion on the access side of the switch is to reconfigure line units. Bellcore viewed the problem of congestion as separate issues of trunking and access and provided different solutions for each.[5] In the short term, Bellcore noted that the present mode of operations can be managed better, reducing switch stress by de-loading switches and routing Internet calls more intelligently.

A moderately complex task is to rebalance subscribers across existing line concentrators (there is a range of lines which can share a single line unit based on the number of minutes at any given time the lines are experiencing). A more interventionist (and costly) step, if rebalancing is unsuccessful, is to regroom the switch by adding line units and reassigning customers.

Interoffice trunking congestion may still occur even in the absence of access line overload. One telco that has extensive ISP subscribership on primary rate interface (PRI) digital trunks has still had to utilize foreign exchange (FX) trunking to process these calls over the interoffice network. While FX-type trunking can be used to alleviate congestion on the voice trunk groups, it can still result in a less efficient use of the trunks themselves.

One solution recommended by Bellcore is the installation of equipment "upstream" of the switch that would divert, based on dial number, ISP calls from switch line concentrators used by voice customers. This "pre-switch adjunct" equipment is already being sold by Lucent and Nortel, manufacturers of the dominant Class 5 switch models. Each of these product solutions has characteristics or limitations that make them less than attractive in all situations.

The Internet Access Coalition, which contends that the Internet access congestion issues arise from poor resource management within switches, notes that digital trunking by ISPs is technically feasible but is not economical. Dial-up calls to ISPs that have T-1 or Primary Rate ISDN would bypass the switch components that are subject to access congestion. Their analysis, however, showed that, in many regions, an ISP would find it cheaper to operate analog lines (prone to congestion) than equivalent ISDN-PRI or T-1 service that is non-blocking.

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[5] Amir Atari and James Gordon, *Impact of Internet Traffic on LEC Networks and Switching Systems* (Red Bank, NJ: Bellcore), 1996.

Medium Term: Technological Solutions

Some emerging products and services have the potential to operate without congestion to the PSN. We will briefly introduce options for digital subscriber loops (DSLs), ISDN, and Internet routers. While each of these is technically attractive, each also has economic or locational impediments to deployment.

1. Digital Subscriber Loop

Digital Subscriber Loop (xDSL) technology is a potential long-term access technology that would use existing copper pairs to connect customers directly to the packet "cloud." The particular variant of xDSL to consider, according to vendor ADC, is based on speed, operating distance, upstream and downstream speed differential, and suitable applications. xDSL will someday be a high-performance (T-1 or higher) access solution for the 80 percent of customers within 18,000 feet of an end office, but currently it is not generally available. Similarly, cable modems offer local area network (LAN) style Internet connections to customers, but existing cable infrastructure is suitable only for 15 percent to 20 percent of potential users. Other potential Internet access media include powerline carrier (Norweb) and satellite downlink.

2. ISDN

Both Primary Rate and Basic Rate ISDN (PRI and BRI) are viable technical solutions for alleviating access congestion. ISDN pricing, however, has been inconsistent, and some respondents, including AT&T, believe that the associated network and customer premises costs and technical limitations mean that widespread deployment is years away, while others, such as Bell Atlantic and U S West) noted that ISDN is an affordable option that will meet the needs of the market for years to come.

Digital trunks such as Primary Rate ISDN and T-1 can link ISP points of presence (POPs) with ISP modems and alleviate load on switches, but current tariffs are higher than for equivalent POTS lines. Bellcore notes that the packet ("D") channel of Basic Rate or Residential ISDN could be used by customers to connect to existing telco packet networks. Residential ISDN connections bypass switch components prone to congestion.

3. Router Development

Internet routers could potentially be the bridge between the current voice telephony and the data network of tomorrow. In the short run, traffic could be routed over a dual network. There is even debate that the dual network may continue in the long run due to the sheer expense of converting the PSN to a data friendly network. Under the dual network concept, voice would be processed according to one set of parameters and traffic destined for an ISP could be routed onto data facilities. In the long run, the Working Group envisions that all data (including voice) could be processed in a uniform manner. Right now, it appears that packets may be the most likely method for backbone networks, with a variety of digital solutions for local access. Some parties advocate that a more efficient configuration would be for routers to be placed at all switches, therefore, the originating switch could determine if a call is addressed to or from an ISP and thus route its traffic onto a data network.

The location of routers is a function of cost. The basic assumption with using a router system is that there would be new costs associated with processing traffic over these facilities. If transport is charged for traffic from the router, then ISPs have a much greater incentive to build their own facilities to the office with a router than to pay the ILEC to transport the traffic. Of course, the placement of its own facilities to a router would require a higher profit threshold for the ISP, so whether it would go into a rural area using its own facilities is unknown. In other words, rural areas may still have difficulty obtaining Internet service either due to having to make a toll call (or pay a higher transport cost) because the ISP server is in a distant area or because providing transport to a closer office with a router involves more facilities placement cost on the part of the ISP. Requiring ILECs to provide the transport from the routers to the ISP does not solve the bandwidth problem unless hi-cap facilities are placed and then priced close to cost. Then the matter simply becomes one for the ISP of revenues versus cost.

Routers could be placed in tandem, however, this does not stop Internet traffic from entering the PSN. Tandem router placement may be an acceptable solution but once bandwidth requirements increase, congestion could become a problem for both the ILEC and the end users' requirements. Tandem placement of a router could be very useful if there is terminating end office switch congestion. Tandems are typically designed to carry significant traffic flows. However, there has been no contradictory evidence to the ISP contention that the switch congestion problem most often spoken of is with the terminating switch. It is before this switch that traffic must be diverted. Therefore, locating the router at the tandem and then providing hi-cap transport between the router and the ISP server could solve many problems for the terminating switch.

Long Term: Network Evolution of the Internet and Internet Access

The Internet, beginning at backbone level, has begun the transition to packet technology. The backbone technology chosen by MCI, UUNET, and others is Asynchronous Transfer Mode (ATM). ATM is similar to frame relay (FR) and X.25 networks in that it is a shared resource, gaining efficiency by multiplexing many streams together to provide virtual private services.

Bell Atlantic and U S West, in their survey responses, anticipated the full spectrum of ATM and frame relay networks, using xDSL and cable modems as well as improved analog dial for access.

BellSouth, in comments in CC Docket No. 96-263, outlined a proposed network which the company said would be suitable in the long term. BellSouth stated that the Commission's current rules regarding protocol conversion would make it impossible for it to implement such a network, however. Dial-up connections would be routed to the network access server that would, in turn, be connected to a "radius" or routing server. In other words, based on the number dialed by the Internet subscriber, the radius server would identify the Internet provider to which the network access server should establish a data connection. The network access server would then make the connection to the underlying ATM/Frame Relay network to which the Internet provider would also be connected.

The possible paths discussed here for long-term Internet evolution are based upon developing technology and media. Given the rapid progress in the fields of communications and electronics, in just a few years the Internet may well use as yet unheard-of technology to speed the transport of data to and from the end user. The trend seems clear: as we move ahead in time, the capability of higher speeds of data transport will move closer and closer to the end user.

Costs of Reducing Congestion

Many levels of solutions can be applied to the general problem of PSN congestion, the ultimate being relocation of data services to broadband packet networks. While the costs of this solution have not been estimated, the costs of some solutions are more easily calculated. We have figures for the cost of labor to reconfigure switches but lack cost data on line cards themselves and the new category of pre-switch adjuncts, as deployed. Cost data are available for some ways for ISPs to mitigate congestion, including digital T-1 or ISDN PRI. Regulators must use the information they have and obtain the further information they need to develop pricing strategies to encourage the use of data-friendly infrastructure. Because competition is in a nascent stage and the Internet is growing so rapidly, it may not be sufficient to wait for new providers to place their facilities.

III. Appropriate Structure and Charges for Local Network Access

Access Charges

Although several avenues are open for evolution to networks that support data better than the existing PSN, the current exemption of ISPs from access charges inhibits that transition. The number of people subscribing to the Internet keeps growing, but unless the Internet acquires more bandwidth it may encounter an application constraint both on its own backbone and on the PSN. The comparative price of compatible CPE and local lines with packet switching capability versus current analog modems and circuit switching is a disincentive for Internet users to migrate to "data-friendly" technology. The exemption of ISPs from access charges distorts prices and sends incorrect economic signals to end users and Internet service providers. Until end user demands for bandwidth force ISPs to use what are probably more expensive data networks, ISPs will continue to purchase analog lines and use modems to change digital messages to analog and back to digital packets for delivery over the packet network. So, to some unknown extent, the exemption is helping to keep the Internet from growing into a mature multimedia network.

The ISP exemption grew out of the FCC's Computer II proceedings in the 1970s, in which the

Commission introduced a distinction between basic and enhanced communication services. Enhanced services include access to the Internet and other interactive computer networks. In a 1983 access charge order the FCC decided that even though enhanced service providers (ESPs) may use the facilities of local exchange carriers to originate and terminate interstate calls, they should not be required to pay interstate access charges.[6] In its 1997 access charge decision, the FCC decided to maintain the exemption. The Commission noted that the term "information services" in the 1996 Telecommunications Act appears to be similar in meaning to "enhanced services."[7] The Act establishes a policy "to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by federal or state regulation."[8]

The FCC decision means ESPs (including ISPs) may purchase services from incumbent local exchange carriers under the same intrastate tariffs available to end users. They pay business line rates and the appropriate subscriber line charge rather than interstate access rates. Business line rates are significantly lower than equivalent interstate access charges because of separations allocations, pervasive flat and message rates for local business service, and the per-minute rate structure of access charges.[9] On the other hand, interexchange carriers (IXCs) at least for now must pay access charges for similar connections to the PSN.

Most ISPs purchase analog business lines from the LEC at a fixed cost per month. Most households and businesses can purchase access to the Internet through a flat monthly charge from an ISP. The local usage on the lines over which they place calls to access the Internet is generally priced on a flat monthly or message (per-call) basis. These rates are based on local usage rates. The lack of true time-related charges on either end of these calls encourages long call durations. The ILECs claim that the long holding times associated with Internet calls burden the PSN and have caused, and may continue to cause, network congestion and blocked calls. If the ESP exemption were discontinued, the LECs argue, a more accurate pricing signal would be sent which would encourage ISPs to seek more efficient methods of serving their end users.

The access charge exemption is a preference for a certain class of users of the public switched network, just like the home mortgage payment exemption is a tax preference in the federal income tax system. A preference acts like a subsidy to a certain group or function, foregoing funds that would otherwise go to common use. It is as an active policy preference that the exemption has been supported — something that will encourage development of the Internet and the many benefits we can see from having this new means of information exchange, plus

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[6] FCC 1997 Access Charge NPRM, para. 284.

[7] Ibid., para. 284.

[8] 47 USC. para. 230(b)(2).

[9] FCC 1997 Access Charge NPRM, para. 285.

innovations yet to come. There is a strong public interest argument for government promotion of the Internet. The Internet User Coalition, for example, commented to the Working Group that the Internet provides citizens a venue for political speech and access to information, lifelong learning, communications and commerce.

ISPs argue that exemptions were justified in the first place and continue to be needed now to support a nascent industry. Many commenters in FCC dockets and the Working Group's survey argued that applying any extra charges to the ISPs would stymie the Internet's growth. ISPs argue that the access charge exemption is an incentive for investment and innovation in information services and thus serves U.S. industrial policy. The ISPs and their supporters say that even though the Internet business has grown, it is still volatile and prospects for success are uncertain.

Another argument for keeping the exemption is that the existing access charge system is inappropriate. BellSouth maintains that it is better to keep the current access charge exemption than to apply an access charge regime that was designed for circuit-switched voice telephony. Most telecommunications industry analysts agree that access charges are too high. The FCC said it saw no reason to extend the existing imperfect access charge regime to an additional class of users, when it could have detrimental effects on the growth of the information service industry and the existing structure.[10]

Those who continue to be opposed to the access charge exemption for ISPs now and in the immediate future claim that Internet use is already causing congestion, particularly in the switch from which the ISP is served. The Alliance for Public Technology, in comments on the FCC access charge NPRM, said ISPs are thus paying less for using the local network than other businesses, even though some claim they impose greater demand for ports, switches, lines and other network elements. Bell Atlantic suggested the exemption creates a financial disincentive to switch to data networks where they are available, encouraging ISPs to purchase circuit-switched services instead of packet-based. The general exemption of ISPs may also ignore differences in traffic patterns among ESPs and even in Internet uses, another commenter suggested. Some of these providers may pose a larger immediate burden on the network than others.

Rural Utilities Services (RUS) told the NARUC Internet Working Group that the ISP exemption means rural telephone companies are losing toll support they would otherwise receive because many calls made to access the Internet are toll calls. Because the rural carriers do not have access to the toll revenues by virtue of the exemption, local rates are forced up as plant must be put into place to handle the increased "local" traffic, and revenues must be generated to recover the cost of this plant. (This issue is discussed further below, in section IV. on universal service.)

Whether or not ISPs are causing congestion now on the public switched network, the access

[10] FCC 96-488, para. 288.

charge exemption encourages growth of Internet use that can lead to overloading a network designed for voice communications. Asked whether the exemption influences network deployment decisions all respondents to the working group survey who answered the question said it does. AT&T said the exemption discourages CLECs and ILECs from developing new service offerings that have to compete with below-cost access services used by ISPs. The company said neither CLECs nor ILECs are receiving accurate economic signals that would encourage them to upgrade networks or engineer existing ones more efficiently because they are being denied the revenue streams to pay for the upgrades or transition activities. BellSouth and U S West made similar arguments.

The access charge exemption has an influence on who will win and who will lose in the marketplace for telecommunications services. Interestingly, many ISPs no longer argue for the exemption on nascent industry grounds, but on competitive grounds. They suggest that independent ISPs are now battling ISPs affiliated with other carriers so the independents need a price break to level the playing field. Some ISPs also suggest that since they have no adequate widespread technological alternative to ILEC networks, to continue the exemption will force ILECs to upgrade. Until that happens, they claim the exemption is a monetary recognition of the PSN's shortcomings for data transmission. ISPs and others also allege that the revenue from the second line which computer users tend to order has not been considered as an offset to any additional PSN costs. They further point out that many ISPs are phone companies themselves and argue that those ISPs would not be providing Internet service if it imposed unrecoverable costs.

Other telecommunications companies see the exemption as giving unfair competitive advantage to ISPs. AT&T commented that the IXCs are paying "artificially high non-economic subsidy laden charges" and ISPs are paying below costs. AT&T maintained that IXCs are at a competitive disadvantage since ISP services (voice over net, faxes) are cross elastic. Bell Atlantic and U S West advanced similar arguments from the perspective of the ILECs. Bell Atlantic suggested that if IXCs moved voice traffic onto the Internet, and the exemption continued, LEC costs would increase without an adequate cost recovery mechanism. Resellers agreed that preferential treatment of ESPs over other telecommunications service providers gives "unwarranted competitive advantage." The Telecommunications Resellers Association said ISPs should be brought under the access charge regime.

Jurisdictional Issues

Any discussion of the appropriate pricing for network access to the Internet must include jurisdiction. While it is the Internet Working Group's strong hope that any pricing options advanced herein would be applied on both the interstate and intrastate level, should that not be the case, the Internet Working Group would offer its analysis and conclusions for consideration by the states.

The FCC's finding that ISP traffic is exempt from interstate access charges is not readily interpreted as a decision regarding the jurisdictional nature of the traffic. It does not make it any less an interexchange, and ultimately an interstate and international, connection. BellSouth commented that the exemption should not and does not change the underlying jurisdiction of the traffic. The FCC decision leaves state regulators with jurisdiction for local rate and policy applications. It is reasonable for them to interpret this traffic as local by default. Yet the reason the FCC can apply its exemption to interstate access in the first place is that at least some of the traffic traverses state and national boundaries. In general, only the local phone dial-up number makes it appear local. This was true with call traffic into many early toll resale enterprises. If the incoming ISP traffic is on a toll call or 800 number, intra- or interstate access charges are being applied today.

If ISP traffic is interstate, as the FCC's assertion of jurisdiction to apply the ESP exemption indicates, then this issue is ripe for reevaluation under jurisdictional separations. Comprehensive jurisdictional separations reform is currently under investigation and assigned for resolution to the Federal-State Joint Board on Separations.[11] The NPRM does not refer specifically to ISP traffic, but to data traffic generically, in its request for comments on these issues.

If the traffic is interstate, a workable solution was suggested by several parties to apply to ISP traffic only the traffic-sensitive portion of access charges without any common line component. This is the intended ultimate goal of the access reform ordered by the FCC for Tier A LECs' interstate access charges[12], and a solution recommended by several parties in the FCC's NOI on the Internet.[13]

If ISP traffic can, due to the exemption, be interpreted as jurisdictionally local, states do have options for solving the problems associated with this rapidly growing segment of local traffic. The solutions then would have to be with regard to local service pricing. If the jurisdiction of the traffic is split, identification of the local traffic that is Internet directed would be necessary. This could necessitate the imposition of considerable registration and reporting requirements.

Changes in pattern of use, call duration and number of calls may make the existing separations (Part 36 methodologies) process inappropriate due to resulting large separations shifts for some companies. Under Part 36 many portions of the network are allocated based on jurisdictional minutes-of-use (MOUs) or weighted jurisdictional MOUs. An increase in usage caused by the Internet calls could vastly increase the allocation of cost to the intrastate jurisdiction due to the ESP exemption. This is because the exemption causes LECs to treat the costs of serving ESPs

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[11] CC Docket No. 86-280, Jurisdictional Separations Reform and Referral to the Federal-State Joint Board, released October 7, 1997.

[12] Access Charge Reform, First Report and Order, FCC 97-158.

[13] Usage of the Public Switched Network by Information Providers, FCC 96-488.

(which include ISPs) as a cost of serving local end users.

In general, LECs claim the Internet causes their revenue requirement to increase because they may need to install more inter-office and switching facilities to handle the vast increase in traffic caused by the Internet, while a lower percentage of the total cost is allocated to the interstate jurisdiction due to the ESP exemption. Compounding this problem is that the Internet may cause the need for network upgrades all the way to the end users as essential service requirements under universal service programs expand to meet basic end user demands. This separations problem causes the company's intrastate jurisdictional allocations to increase, which may result in requests by some companies for intrastate rate increases claimed to cover costs primarily incurred for a jurisdictionally mixed or interstate service.

At this time the Working Group agrees that Internet traffic is indiscernible. However, the Working Group believes that this is because no one is attempting to record the traffic. Much as 800 traffic was originally viewed as indiscernible and later able to be tracked, so too could be the case with Internet traffic.

Options for Pricing Internet Access

Most interested parties agree that government should not establish a social goal with respect to which technology or network is used to deliver Internet services. However, many parties fail to acknowledge that government already has influenced the growth of the Internet by extending the ESP exemption to ISPs. While in the past Internet traffic was not of such a magnitude or sophistication to affect the PSN, its continuing growth leads one to question whether the time has come to reconsider how Internet traffic is priced. Should government continue the preferential rates for ISPs, apply traditional access charges to them, or design a new pricing mechanism? As we discuss the various dynamics associated with pricing PSN access to the Internet, we must keep sight of the overall fundamental network change — whether the result is a data-friendly PSN or a dual PSN composed of one network (route) for voice and one for data.

In regard to the standard argument of whether ISPs should pay traditional access charges, some parties concede that if the Universal Service Fund is designed to recover all needed local revenues, typical interstate access rates could decline sharply and then ISPs could pay the new access rates. By doing this, the rates would be close to cost and that would send the correct market signals to ISPs as to whether or not they should obtain another method of access which would give them the data capabilities that their users need or desire.

However, current access charges are based on voice technology. Given the growing data usage of the network, the Working Group is concerned that the traditional rate structure for access charges may not reflect future network usage. Therefore, we have explored rate structures which may be more suited to data traffic. We recognize that this leap in rate structures from the current regime may produce a "gap" between rate structure and actual network deployment of technology, but we believe, at this juncture, that regulators must begin to prepare for the fundamental change the network will undergo. Most commenters did not offer any pricing options for Internet usage. Basically there were two viewpoints: continuation of the ISP exemption and an access rate that is lower than current access rates.

All the commenters to the working group survey agreed that end users should not be required to pay for the ISPs' use of the PSN. If any increased charges are to be paid, the commenters suggested, they should be paid by the ISP directly. However, all parties also recognized that any increased costs to the ISPs will be passed along to end users.

Alternatives to a voice-based pricing scheme were not advanced, although several ISP commenters expressed concern about usage-sensitive pricing. Some sort of flat rate, cost based, block rate pricing might alleviate some ISPs' concerns over their cost volatility. Moreover, many ISPs want the ability to purchase UNEs, without being designated a carrier.

One suggestion offered by the Working Group was that wireless interconnection rates be used as a surrogate for ISPs' access to the PSN. Only one party commented on this suggestion. It argued that wireless interconnection rates should not be assessed on ISP providers because while an Internet call is roughly 20 minutes in duration, a wireless call is 2 ½ minutes for cellular and 5 seconds for paging. Therefore, wireless service is not analogous to Internet service and the rate should not be transferred. In short, whereas a wireless customer may view a $0.20 call to be affordable (based on a rate of $0.08 a minute for a 2.5-minute call) an ISP user would not view a $1.60 call to be reasonable (based on $0.08 a minute for 20 minutes).

The Working Group also explored the possible development of a special category of end user (if the exemption continues) whereby outgoing call volumes above a certain level would require the end user to be migrated onto a service which is priced and engineered to recover and account for the high call volume. However, the Working Group is mindful that the application of some sort of per minute local measured service (LMS), in many states and localities, is either statutorily forbidden or politically obstructed. Also, if a pricing scheme were applied to Internet traffic only, it could be challenged as discriminatory and subject to litigation. Another solution could be to charge all customers in markets without LMS for all incoming local calls above a certain level. This could eliminate the need to separately identify the traffic as Internet directed. If a high enough set amount of incoming traffic were free each month, ISPs would likely be the primary recipients of this charge.

Another idea put forth by the Working Group was the use of the Signaling System 7 (SS7) network and rates to process Internet calls. All carrier commenters rejected the idea of using the SS7 network. They argue that the SS7 network is designed and maintained as a signaling network and could not handle Internet traffic, even though it is similar to packet technology. Also, many commenters are concerned that the implementation of local number portability (LNP) will consume the spare capacity of the SS7 network. Consequently, there is little spare bandwidth on the SS7 network for other traffic. No commenter addressed the question of whether the SS7 network could be expanded to fulfill this function.[14]

Most commenters to the survey argue that there should be only one access charge structure since the network is performing the same function regardless of whether voice (analog) or data (packet) is being transmitted. However, if access charges are not brought down to cost and government feels the need to keep the cost of access to the Internet low, care should be taken to at least price the services and/or facilities close to cost. This pricing policy would have the effect of incenting the providers of the PSN to deploy a more data-friendly network and of encouraging the use of more data-friendly facilities on the part of end users and ISPs.

Reciprocal Compensation

In addition to general concerns about the appropriate pricing for access to the Internet, regulators have recently been faced with the question of what compensation should be paid between carriers for the exchange of this traffic. It should first be noted that although the battle over pricing access to the Internet has spilled over into reciprocal compensation, the general pricing and costing dynamics mentioned earlier in this paper have not changed. What we now address is the question of cost recovery/revenue generation when some ILECs bypass the end user and ISPs and instead focus on intermediate carriers as their revenue source. This section will discuss the various options for resolving the reciprocal compensation question should a state commission assert its jurisdiction in resolving a dispute on this issue, as a number of commissions already have.

The basic allegation in the reciprocal compensation disputes is that all calls to ISPs are long distance. To support this conclusion some carriers are claiming that in order for the FCC to have exempted ISPs from access charges, it must have assumed that the nature of ISP traffic, both to and from the ISP, is long distance, perhaps even interstate. The Internet Working Group asked participants in the group's survey whether the ESP exemption creates an incentive for CLECs to want ISP servers at their end offices in order to recover the terminating unbundled local switched rates. AT&T replied that the exemption perpetuates uneconomic behavior in many forms, but that Internet traffic is interstate, not local, so the reciprocal compensation portions of interconnection agreements are inapplicable.[15] We have already discussed the pragmatic matters associated with identifying traffic destined to ISPs or large terminating users. We will assume that these end users are somehow identifiable. With that caveat, there are four basic avenues to resolve the compensation issue.

The first avenue would be to agree with the carriers who assert that some or all calls to the ISPs

[14] Bellcore did advance this viewpoint in its paper, "Architectural Solutions to Internet Congestion Based on SS7 and Intelligent Network Capabilities," Atari and Gordon: Bellcore, 1997.

[15] See U S West, 7.

are long distance calls. By reaching this conclusion the commission could simply acknowledge that there is a massive amount of traffic which does not originate and terminate within an ILEC's local calling area. Given that neither the Telecommunications Act nor the FCC has eliminated the distinction between local and non-local, this could be a solution. However, one would first need to examine whether all of the calls, or at least a majority of them, can be traced to their termination points. After this measurement is done, one could employ the use of PIUs (percentage of interexchange use) to assess charges. The difficulty associated with this solution is that regulators would have to undertake a task that they have not typically done. They would have to look behind an end user's private network to determine where traffic is ultimately terminating. Furthermore, regulators may find that such a determination is used to support an ILEC's claim that all end users should be paying access charges since the existence of the intermediate carrier does not change the nature of the end user's call to the ISP. If a state believes that the service provided by ISPs is a carrier-type (and non-local) service, and the FCC agrees, then a state commission may find this solution a desirable means to correct a perceived incongruity in the treatment of ISPs vis-à-vis IXCs.

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2 Another option is not to look behind an end user's private network, regardless of whether it is open or closed to the general public, and continue to treat such traffic as local, including the non-application of access charges. While the Telecommunications Act did continue the distinction between local and non-local service, one can assert that this distinction lies primarily in the nature of traffic which carriers are processing. Therefore, if traffic processed within only one network would be considered local, then the same traffic processed within two networks covering the same local calling area should still be considered local. Furthermore, if a state determines that the flat rate usage packages which are currently being subscribed to by its end users are cost compensatory of all the minutes the end users are generating, this option is further supported. It may be inappropriate from a public interest viewpoint to assess access charges to a private network for traffic which terminates to it, especially when it has been determined that end users are fully compensating the LEC for traffic which they are generating. If a state were to allow access charges to be assessed in this situation, it may wish to develop an understanding with the ILEC concerning the adequacy of the ILEC's network in processing data transmissions and further steps which may need to be taken to develop that network. Lastly, this option would continue to provide CLECs with a revenue stream to finance the building of their networks. BSC motivation

II: Keep a ISP t/c

3 A third avenue to resolve this dispute is that there be no compensation exchanged between carriers for traffic to an ISP. The argument for this option is that so long as no carrier is receiving compensation for calls to ISPs, each will have the same perspective on ISPs. For example, right now many ILECs have a very large majority of their residential customers subscribed to low flat rate usage service. As such, it is very difficult to obtain additional revenues from their customers for the large amounts of traffic they generate once they start subscribing to the Internet. So, as alluded to earlier in this paper, the ILECs arguably are not being compensated for the usage of their networks. With the existence of an intermediate carrier, not only are the ILECs perhaps not compensated, but they must pay carriers for termination on the other carriers' networks. By not allowing compensation to flow between the carriers, neither

carrier would be compensated for this traffic. This is how both carriers would come to view ISPs in a similar manner. The revenue which they could generate from the ISPs would be the charges they directly assess to the ISP. The only complexity in this argument would be those ILECs and their associated end users who subscribe to local minutes-of-use service. In this scenario the ILEC is being compensated by the end user for the use of its network, so the dynamic of the non-recovery of costs through flat rate end user charges does not exist. The difficulty of distinguishing between Internet minutes that are subject to flat rates and those subject to minutes-of-use charges may render this solution unworkable. Another potential adverse effect of this scenario may be that, once CLECs are no longer compensated for ISP traffic, their traffic imbalances become so great that they are unable to sustain themselves financially. This dynamic would be very difficult to assess currently because if a CLEC is marketing mostly to ISPs, they will intentionally have few other customers. Therefore, assessing whether they can be financially sustainable in the long run may not be readily achievable today.

4 3XX approach

The fourth avenue open to regulators is more complex. This solution requires that ISPs be assessed a "termination surcharge" when calls to it attain a certain level. In this manner, non-ISP end users do not have to have any of their rates adjusted. It would be the ISP who would pay for the traffic terminating to it. The complexity in this solution is when the end user resides on a carrier's network different from the carrier network on which the ISP is located. This is because, technically speaking, the carrier which is owed money from the ISP is the end user's carrier. In this situation it may be that the ISP's carrier becomes the collection agent for the originating carrier. In this scenario, the terminating carrier could still be paid the terminating charges owed to it. The result could be a sort of netting.

IV. Relationship of Internet Access and Universal Service

Universal service is a complex issue with a seeming myriad of ongoing controversies. The issue involves setting and achieving objectives for telecommunications infrastructure and subscription levels. In terms directly relevant to the Internet, the issue is the degree to which advanced telecommunications infrastructure should be ubiquitously available and which services should be included as universal service offerings?

Many businesses and institutions have turned to virtual private networks to meet their computer and telecommunications needs. This trend is fostered by the technological availability of virtual channels within the PSN providing bandwidth or capacity reservation at flat rates. Higher-speed PSN offerings are based on an access line charge with usage priced on a per-unit basis. Further, video transmissions are handled by the PSN as data. Because of these dynamics, questions arise regarding the appropriateness of differentiating data and video transmissions on the PSN and what type of rates to charge for potentially bursty and voluminous transmissions, particularly in relation to the pricing of voice traffic. Currently, because one can obtain bandwidth at a flat rate and because video-dedicated channels appear more reliable, they are more attractive than typical switched or derived video channels on the PSN. As a result carriers have an incentive to invest in adjunct networks that carry high speed, high volume data and video transmissions but do not have the incentive to invest in advanced infrastructure placed in the PSN itself. This has the undesirable effect of denying or delaying the general offering on the PSN, to residential and small business customers, of a reasonably priced high speed form of access to the Internet.

Universal service planning should address the means to support the concomitantly necessary investments for designated advanced telecommunications services for which customer demand will not garner sufficient revenue to support facility placement. Such concerns would encompass the need to subsidize, in some areas, infrastructure necessary to provide advanced services or to facilitate Internet access. Even the current USF rules may inadvertently be slowing the roll out of advanced telecommunications to the general public. This is because, in some cases, the diversion of educational, health care and library institutions' usage, and attendant revenues, from the PSN to private two-way video and data networks has and will continue to exacerbate the need for support funding to keep the rates for advanced telecommunications services low enough to be considered affordable. This problem is particularly acute in rural and low income areas.

In addition, there are overlapping and conflicting aspects to the drive for a ubiquitous national roll out of advanced telecommunications services and the need to define, and maintain at affordable rates, "basic" or "essential" telecommunications services. In this debate, regulators must be careful not to over-plan the deployment of advanced services. Where regulators believe companies are making significant infrastructure inroads, or are trending to this, caution should be employed so that one does not fund infrastructure investments that would have occurred anyway. Many rural and low-income markets often experience a lag in such investment. The question becomes, "When is such a lag intolerably long?"

Of course universal service is only one of many public policy goals for telecommunications industries, some of which conflict in real world applications. Additional goals include: (1) development of competitive markets, (2) placement of telecommunications infrastructure in all markets, (3) encouragement of technological innovation, (4) use of deregulation, lesser regulation and/or non-regulation, and (5) affordable access for essential public institutions.

Many of these often conflicting goals are directly incorporated into Section 706 of the Telecommunications Act, "Advanced Telecommunications Incentives." Congress allowed a period of time to see whether or not the competitive market can provide the needed facilities to all Americans in a timely and reasonable fashion. If after three years under the Act the FCC finds that the market mechanisms have failed, it is authorized to remove barriers to investment and promote competition.[16] No funding remedies are authorized in this section.

[16] On January 26, 1998, Bell Atlantic filed a petition with the FCC requesting that the deregulatory steps authorized under Section 706 of the Act be taken at this time due to the slow deployment of the advanced network features like high-speed broadband capacity over packet switched networks. This petition attempts to sidestep the review procedure contemplated in the law and foreshortens the period envisioned by Congress for the provisions that foster local competition to take effect. Many RBOCs seem to be looking for novel routes through which to provide in-region services before they receive FCC approvals under Section 271 of the 1996 Act.

In Section 254(h), on the other hand, the provision of advanced telecommunications services is allowed to be subsidized, and that subsidy is limited to specified schools, libraries and health care institutions. Other ratepayers may not directly benefit in their homes and businesses from this subsidy for higher capacity services to these institutions. There currently is no provision for direct subsidy for the general public of the higher capacity services when provided to their homes and small businesses. In fact there are price disincentives built into accessing the Internet at low speeds such as an increase in the subscriber line charge for subscription to a second line for modem connections. While this higher subscriber line charge is based on cost and is a means to limit the size of the support funding for basic lines, it is nonetheless an example of how the Universal service goals for basic and advanced services can operate in conflict.

Network traffic directed to use ISP services is currently exempt from application of interstate access charges regardless of its jurisdictional pattern. Practically, this policy results in the assignment of most ISP traffic to local usage, thereby shifting the relative usage and jurisdictional costs of this traffic to the states. A more meaningful jurisdictional assignment of Internet traffic should reflect the realities of the shared network facility. Lacking that, there appears to be an implicit subsidy from intrastate service for some ISP traffic when one compares it to treatment of similar IXC traffic. If the FCC continues to exempt ISP traffic from explicit interstate access charges, it must develop an explicit interstate subsidy mechanism, as required under the 1996 Act, to replace the current implicit subsidy based on a jurisdictional shift of the traffic to local.

Consideration of universal service objectives and access charge reform objectives must go hand-in-hand if regulators are to prevent the opportunity for arbitrage inherent in the current melange of historical pricing policy and forward-looking market objectives. What we find today in the Internet and its access providers is a hybrid of services and technologies that frustrate application of traditional regulatory paradigms. The Internet and its interplay with local telecommunications networks displays carrier, enhanced service provider, and broadcast media attributes. Therefore, the categorization of ISPs as a distinct class of customers from traditional IXCs may be a necessary interim step to achieving a compensation model that is acceptable today for application to Internet access over the PSN — and possibly, soon thereafter, to all interconnects with the local network for origination and termination of telecommunications transmissions.

Under the 1996 Act, subsidy for advanced telecommunications and information service capabilities is allowed only when they are being deployed in the networks of telecommunications carriers and the services are being subscribed to by a substantial majority of residential customers. Such a subscription level would make these services eligible for consideration for inclusion in the definition of services supported by the federal USF. The demand of the institutions eligible for support under Section 254(h) for such advanced telecommunications services over the PSN is being diverted to private connections that have been made more affordable by the subsidies under that section. This leaves a smaller total demand on the PSN over which to spread the costs of such services. This results in higher prices which further reduce residential demand for the PSN-based services. Therefore, to the extent that demand for advanced telecommunications services is diverted away from the PSN by private connections, the inclusion of advanced services in the definition of universal service will be delayed. In some rural and low-income or high cost areas this may delay the delivery of access to information technologies and services.

Lastly, states are authorized under Section 254(f) to develop additional definitions and standards to advance universal service within a state as long as they are funded so as not to rely on the federal USF mechanisms. Advancement of Internet accessibility through higher speed connections to homes would require greater bandwidth than is supported under current FCC USF rules. This appears to leave states to fund any general advancement in data speed connectivity on the PSN from in-state sources. This burden is exacerbated because states have to bear the cost of infrastructure necessary to process Internet traffic which in turn has been encouraged by the implicit subsidy inherent in the ISP exemption.

Should ISPs Contribute to the Universal Service Fund?

There is a continuing controversy over using universal service funding to make advanced services for Internet access and information services ubiquitously available at affordable prices. That controversy also spills over into the issue of whether ISPs can and should contribute as "telecommunications carriers" to federal universal service programs. USF funding therefore ties back to the ongoing policy debate regarding the intent of the Act and the effect of the FCC's exemption of the ISPs from access charges, effectively declaring them end users rather than telecommunications carriers. Definitions are evolving regarding what is an end user, a service, a facility, and a carrier. Regardless, ISPs benefit from the subsidies for advanced services to the institutions designated in the Act when those subsidies make it possible for those institutions to use their services. In addition there is a blurring of the definitions of data, voice, and video when it comes to telecommunications applications. The Internet is capable of carrying voice transmissions and entrepreneurs are attempting to fully tap that capability and that market. As beneficiaries of subsidies to institutions accessing the Internet, and due to their public offering characteristiecs, it can be argued that ISPs should share in the cost of subsidizing services that are deployed to access the ISPs' services.

The Telecommunications Act states in Section 254(d) that every interstate telecommunications carrier shall contribute to the fund with equity and nondiscrimination. The FCC's previous exemption of Internet service providers from the "telecommunications carrier" designation for public policy reasons made sense at that time, but may prove inconsistent with the application of the Act's principles of explicit rather than implicit subsidization for universal service. Redefinition of ISPs as a distinct class of carriers and application of some form of economically based access charges and assessment for USF purposes could end this historical subsidy to ISPs and make them contributors to the explicit subsidies that promote use of their services. If the legal distinction between carriers cannot be made for purposes of applying access charges, another alternative may be to go ahead and assess ISPs and provide universal service funds directly to the ISPs to offset the charges.

V. Conclusions

At its inception and for many years thereafter, the PSN carried only voice communications. Growth in data transmission in recent years has resulted in a network that is heavily used for different types of communications. The current technology used for transmission of voice does not appear to be optimal for data. It is imperative that all participants in the telecommunications market, including regulators, have a clear understanding of how the PSN interrelates to the data network and how voice and data telephony are converging.

From a technical point of view, it is important that the PSN start migrating to a network which is data friendly. While it is understood that the PSN of today needs to undergo some fundamental changes to achieve this goal, we should also understand that all of the necessary changes do not have to occur on what is typically termed "the PSN." For instance, data traffic could be diverted onto a separate, data-friendly network for delivery to the Internet backbone by adding switch adjuncts into the network. Technology such as xDSL could also be employed in the loop to provide the premises connections which would permit high transmission speeds, thus keeping the last mile from being the choke point in data transmission. Many technologies could and will be used to provide quality data transmission capabilities in the future.

To make the transition to the data-friendly network will involve capital outlays. It is not enough that the Internet be able to process data. The loops and switches of the PSN must also be capable of doing so. Given that there is little compensation today for the increased traffic already traversing the network, due at least in part to the ISP access charge exemption, carriers may not be willing to make the investments needed to upgrade the network without a reasonable expectation of capital recovery. Because the FCC has determined that this investment for network upgrades will not be recovered through access charges paid by the ISPs, it is important that we devise some means to fund transformation of the PSN from primarily a voice network into one which can process any type of traffic desired, whether it be voice, data, or video. This funding could come from the end users who call the ISPs, the ISPs themselves, or the universal service fund. Of course we must always be careful not to fund technological and pricing developments which will occur naturally. However, we must weigh this concern against whether the pace of technology development is acceptable when a large segment of society may not be provided timely access to advanced telecommunications technologies.

PSN traffic and advanced telecommunications infrastructure are evolving symbiotically. In recognition of this, costs imposed on the PSN by those accessing the Internet should be equitably shared among the originators, conveyors and recipients of these communications in a manner that promotes technological innovation, network reliability and service quality, infrastructure investment, competitive markets, and ultimately, universal service. Numerous controversies have arisen regarding jurisdictional cost allocations, application of access charges or other local pricing options, payment of reciprocal compensation, and receipt of and assessment for universal service funding for PSN facilities. These controversies may be resolved equitably, vis-à-vis all telecommunications carriers and end users, if they are addressed systemically with recognition for their interplay. By seeing these controversies in focus in this paper, regulators and public policy makers may be able to avoid the perpetuation of some of the seemingly endless applications to the evolving PSN of inadequate and piecemeal fixes to often outmoded pricing and policy models. Such refreshed vision may engender innovative options and perspectives that otherwise might not be considered.

In summary, the telecommunications network is undergoing a transformation. It is imperative that the public continue to perceive the network as seamless. While it may be that several networks will be used to deliver the telecommunications services of tomorrow, all of them will have to interact to connect all users. Viewing the networks separately, without taking into account how they relate to each other in a unified communications system, would jeopardize the potential they hold to provide benefits for all consumers and to society as a whole.

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PRICING AND POLICIES FOR
INTERNET TRAFFIC
ON THE
PUBLIC SWITCHED NETWORK

DRAFT REPORT OF
NARUC INTERNET WORKING GROUP

NARUC Winter Meeting
March 1 & 4, 1997
Washington, D.C.

Jeff Richter-PSCW

Project History

- Panel at 1997 Winter Meetings (2/97)
- Workgroup formed
- Questionnaire sent out mid-April
- Responses (5+3) in May & June 1997
- Summarized Comments in FCC NOI re Usage of PSN by ISPs
- Numerous conf. calls
- NRRI accommodates project on its Website: *www.nrri.ohio-state.edu/internet.html*
- Panel at Summer meetings
- First draft paper issued for comment at Annual Meeting in Boston (Nov. 1997)

Working Group Participants

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- Michael Dorman (OH)
- Sandy Ibaugh (IN)
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Topics of Discussion

- The Problem? Growing Internet Use.
  - But, this is the policy!!
- Technical Solutions
- Pricing Decisions & Options
  - Reciprocal Compensation
- Universal Service
- Conclusions

Policy Questions Addressed

- Network Congestion
- Reliability & service quality
- Investment and Innovation
- Definitional: e.g. service, facility, carrier
- Universal Service
- Competition
- Jurisdiction & Authority

Basics of the Networks

Internet: a packet-switched backbone network

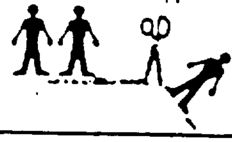
- designed for data transfer, delivery, and retrieval.
- always in a dormant "ready" mode
- active only when delivering packets.
- packets can be stored off-network for later access, delivery, or retrieval

PSN: a circuit based network

- Designed for voice transmission; can handle data
- Connection through the switching and transport networks
- Continuous until the connection is terminated.

Part 36 SEPARATIONS

- jurisdictional minutes of use allocators
- ISP exemption from access charges
- Lower interstate/intrastate traffic ratio
  - Local traffic reported
  - Internet traffic minutes appear local



Additional costs?

- Lack of empirical evidence of overall PSN congestion effect
- What about additional revenues?
- LECs as ISPs

THE ISP EXEMPTION

- FCC's Computer II proceedings (1970s)
  - Enhanced Service Providers (ESPs) - Internet and other interactive computer networks
- 1983 access charge order
- 1996 Access charge NPRM, par. 284
- Access charge reform decision
  - May 8, 1997, Docket No FCC 97-158
- TA 96 policy

Telecommunications Act of 1996

"to preserve the vibrant and competitive free market that presently exists for the Internet and other interactive computer services, unfettered by federal or state regulation"

Arguments for maintaining the exemption

- Support for nascent industry
- Public Interest
- Venue for social goods
- Access Charges are not economically based
- Competition
  - Price break for CLEC ISPs
  - Force ILEC network upgrades
- Encourage CLEC network development

Arguments against the exemption - Short-term

- ISPs pay less and tax PSN more
  - traffic differences
- Loss of toll revenue for rural ILECs
  - Incremental plant investment

SO WHAT?

- In an Internet call, the two end users are the Internet Service Provider (ISP) and the ISP's customer.
- Internet service providers (ISPs) are connected to both networks:
  - the packet network over high speed dedicated facilities for exchange with the Internet, and
  - the PSN through local business lines to provide dial-in access for end users.

ESP Exemption

Why local connections for dial-in?

- The FCC exempts Enhanced Service Provider (ESP) traffic from access charges
- the FCC has interpreted that ISPs are ESPs
- Therefore, ISPs not required to pay access charges
  - On the other hand interexchange carriers (IXCs) must pay access charges for similar connections to the PSN.

So basic PSN service less efficient BUT more attractive

- cheaper for end users
- modems bridge gap
- flat or per-call local prices

PSN CONGESTION??

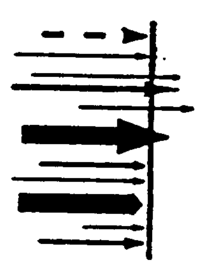
- Call durations
  - Voice ~ 4 minutes, Internet ~20 minutes
- Second busy hour in the evening
- Exacerbated by flat rate pricing
- Could result in congestion of several PSN components

Locus of Congestion

- Access Line Congestion
  - Increase blocking, dial tone delay
  - Line units added or reconfigured
- Trunk Side Congestion
- ISP termination - not enough modems
- NOT to be confused with Internet slowness

Jurisdictional Nature of traffic:

- Local or Interexchange
- Inter- or Intra-State
- Inter-Net



Policy: One PSN or Two?

- Access and Separations
- Analog vs. Digital line basis

Government Policy Goals

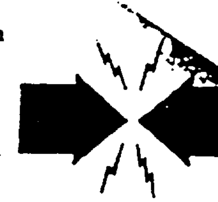
- Development of competitive markets
- Ubiquitous Infrastructure
- Encourage technological innovation
- Use of de-/lesser/non-regulation
- Affordable access for essential institutions
- Universal Service
  - basic/essential service
  - rural issues

Universal Service Planning

- Infrastructure objectives
- Ubiquitous advanced data service?
- Revenue base for investment
- Subsidy for Internet access in rural areas?
  - Diversion of Education, Health care and Library usage
- Caution: Subsidy for infrastructure the market will "soon enough" provide

Avanced Services: what's between Secs. 254(h) & 706

- Funds for schools, libraries & rural health care in Sec. 254
- No funds for res. or small business
- Current disincentives for additional low-speed connections
  - SLCs



The ISP "Subsidy"

- Shared PSN facilities
- ISP exemption forces:
  - [illegible]
  - [illegible]
- Continuation should require an explicit subsidy mechanism
- Redress involves access charge and separations reform

ISP: Unique Class of Customer or Carrier?

- traditional regulatory paradigms frustrated
- Internet as carrier, ESP and broad[illegible]
- Options:
  - create a unique ISP rate design
  - a new, more [illegible] rate design model
  - new interconnection model

Arguments against the exemption - Long-term

- Network overload encouraged
- Discourages new competitive offerings
- Harms IXC entry
  - Cost imposition of Access
  - Loss of revenue

What is the short-term evolution of Internet access?

Two schools of thought:

- PSN management
  - Sufficient revenue?
- Migration to data networks
  - Sufficient incentives?
  - Business - PL, Centrex, ISDN
  - Residence - ISDN

Bellcore

Internet Traffic Engineering Solutions Forum

- SS7-based solutions, 10/97
  - Line-side Redirect: pre-switch
    - route calls directly to ISP, i.e., via PRI, T-1
  - Trunk-side Redirect: post-switch
    - divert traffic to packet 'cloud' for transport
- Improve "Present Mode of Operation" 6/96
  - Add, reconfigure line units

Is ISDN a short-term mass solution?

- PRI for ISP's prevents line-side congestion
- Debate on consumer BRI use continues
  - already passed over by the market for the next generation of digital lines?
- Affordability
- Technical limits
  - speed, distance

Long-term Evolution of the Internet and Internet access?

- Internet has gone packet
  - ATM backbones, Frame Relay
- Last Mile
  - xDSL
  - cable modems
  - improved analog?
- LECs as protocol converters
  - LEC modem banks?

Structure and Charges for Local PSN Internet Access

- Government should not establish a specific technology as a social goal
- Continue the preferential rates?
  - This may be affecting technological advances
- If charged for PSN, it should be:
  - forward looking
  - to ISP, not end user

States may act

- Section 245(f) - state option for expanded US definition w/state funding
- Bandwidth definition for basic service
- States fund infrastructure for PSN-Internet access

ISP USF Contribution?

- ISP Exemption makes them non-carriers
- Internet driving infrastructure advancement
- Indirect beneficiaries of institutional subsidies
- ISP service has public offering characteristics
- Assess ISPs & give some direct USF benefits?

Conclusions

- Must understand PSN: Data and Voice
- More data friendly PSN necessary
- Massive capital outlays required
- Symbiotic evolution: traffic and investment
  - share costs between originators, conveyors and recipents
- Systematic solutions not piecemeal

Bellcore
Bell Communications Research

Impacts of Internet Traffic on LEC Networks and Switching Systems

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BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-4
November 19, 1999
Item No. 4
Page 33 of 58

Abstract: *The past year has seen explosive growth in internet traffic. Currently, the most common way of accessing the internet is via the switching systems and the interoffice trunk facilities of the Public Switched Telephone Network (PSTN). The PSTN was designed to carry voice calls that have an average call holding time of about 3 minutes. The nominal 3 minute call assumption pervades all aspects of telco equipment design such as switch engineering, line concentration ratios, and trunk group sizes. However, internet calls violate this fundamental assumption and have a mean holding time of the order of 20 minutes with some calls lasting for many hours.*

This long holding time traffic severely taxes the PSTN. It requires additional equipment to be provisioned, without compensating revenues, and potentially affects service performance for all users. Internet traffic, which is packet data in nature, can in principle be carried much more efficiently on data networks. However, since the PSTN currently represents the only near-universal access method, any long term solution necessarily involves a staged migration from the present mode of operation towards some packet network solution.

This paper reviews the impacts of internet traffic on the PSTN. It summarizes the impact of internet traffic on transmission and switching equipment, the need for comprehensive revisions to existing engineering and planning algorithms, and the implications of these issues for operational practices and operations support systems. It also provides analysis of the cost of supporting internet traffic on the PSTN. Finally, it describes a number of possible solutions. In each case the current barriers to implementing the solution are discussed.

I. INTRODUCTION

The past year has seen explosive growth in internet related telephone traffic – specifically, calls from residential and business subscribers across the public switched telephone network (PSTN) to internet service providers (ISPs).[1] Although there are alternative methods of accessing the internet (to be discussed later in this paper), the only near-universal access currently available to the public is via modem calls across the PSTN. After reaching an ISP, such calls are converted back into data format so that they can be piped directly into a local internet gateway, or transmitted across a packet network to a remote gateway. This network architecture is illustrated in Figure 1.

1. For the purposes of this discussion internet traffic may be taken to include internet, work at home (WAH), telecommuting and on-line services calls, all of which appear to have similar characteristics.

The rapid growth in internet traffic has been stimulated by a number of developments, including: (i) the increased power and availability of personal computers (PCs), (ii) the growth in commercial uses of the internet, and (iii) the popularity and increased ease of access to the world wide web (WWW) via web browsers such as Netscape. In addition, the growth in corporate telecommuting and work-at-home (WAH) employment has created an environment in which users are more comfortable with on-line services and are more likely to use PCs for work and leisure.

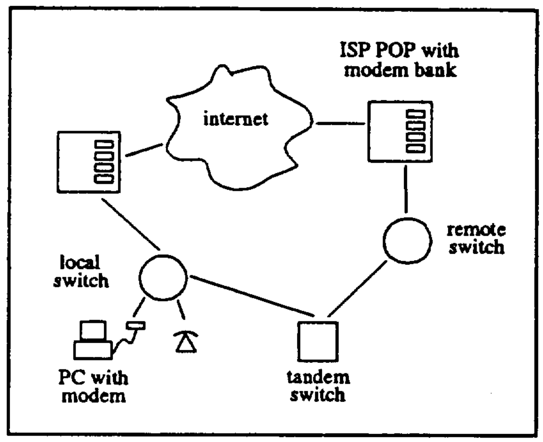

Figure 1: Internet Access via the PSTN

The rise in internet traffic provides an important indication that the center of mass in telecommunications is shifting towards data applications and services. Although the PSTN is currently used to carry internet calls in circuit switched mode, these calls are essentially data calls. They are generated in packet data format by PCs, and can in principle be carried far more efficiently and cost effectively over data networks. Suitable data networks exist today. However, due to cost and equipment limitations, access to these networks is largely limited to high volume business users. As access to data networks becomes universally available, the volume of data traffic generated by applications such as point of sale transactions, electronic commerce, video telephony, etc., will dwarf the traffic currently carried by the PSTN.

The trend towards data will challenge telecommunications network and service providers in a number of significant ways. In general, it will be necessary to develop engineering, planning, operational and business procedures to cope with new networks and services. The first major challenge is being met by local exchange carriers (LECs) in the form of internet traffic. This traffic has significantly increased the load on LEC networks, while providing very little compensating revenue. While its volume poses an immediate threat to the capacity of the PSTN, at a more fundamental level its qualitatively new characteristics are challenging the engineering, forecasting, planning and operational procedures established by the Bell System over the past 80 years.

At present, a number of LECs are analyzing the internet phenomenon, and debating the best path forward. Since the PSTN currently represents the only near-universal access method, any long term solution necessarily involves a staged migration from the present mode of operation towards some packet network solution. The principal requirements of the migration strategy are that it be cost effective (i.e., provide the desired capabilities for reasonable investment), and that it be sufficiently flexible to evolve towards future technologies (e.g., ATM). Confusing the issue are a host of uncertainties associated with tariffing, time to market of new technologies, demand forecasts, etc. Notwithstanding the complexity of the problem, solutions need to be put in place quickly in order to protect the integrity of the PSTN.

The object of this paper is to review in more detail the various impacts of internet traffic on the PSTN, and provide a high level summary of possible solutions. In particular, based on analysis of traffic data, it summarizes the impact of internet traffic on transmission and switching equipment, the need for comprehensive revisions to existing engineering algorithms, and the implications of these issues for operational practices and operations support systems (OSSs). The paper also provides analysis of the cost of supporting internet traffic on the PSTN. Finally, it describes possible solutions, including more efficient use of existing PSTN equipment, as well as solutions based on packet networks (ISDN, Frame Relay, ATM). In each case the current barriers to implementing the solution are summarized.

II. GROWTH IN INTERNET AND RELATED TRAFFIC

As noted above, growth in internet traffic is tied to a number of factors including: PC penetration (percent of U.S. households with PCs), modem penetration (percent of PCs with modems), growth in corporate telecommuting and WAH employment (these users tend to be high volume users), and a range of less easily quantifiable factors such as time to market of new technologies (e.g., ADSL) and customers' willingness to pay for 'hot' new applications. Based on Bellcore's market analysis, Figure 2 shows conservative demand projections for internet access out to the year 2001. The demand is broken down into two categories: dialup access via the PSTN using POTS and ISDN lines (lower part of Figure 2), and alternative 'dedicated' access methods such as ADSL, which effectively bypass the PSTN (upper part of Figure 2). Note that the y-axis in Figure 2 has no units. Figure 2 illustrates anticipated average relative growth in U.S. internet traffic over the next 5 years. More detailed assumptions and information are required in order to be precise about growth in particular LEC markets.

The demand forecasts in Figure 2 are conservative, in the sense that conservative assumptions were made regarding the rollout of new technology. They suggest that by 2001, internet traffic will approximately double relative to its present value. If more aggressive assumptions are made, the demand could be significantly higher – as much as 5 times its present value by 2001. In fact, these estimates may well be too low, since they are based on analysis of numbers of households. No accounting is made for growth in per household internet traffic, which itself could be quite significant. In brief, the figures indicate that while new technologies such as ADSL and cable modems will grab a segment of the internet access market, the PSTN will support most internet access traffic for at least the next 5 years.

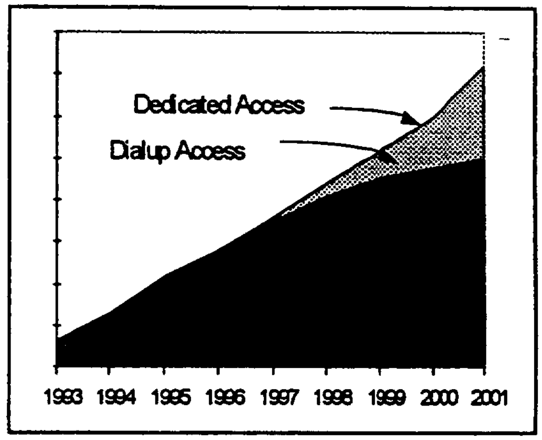

Figure 2: Forecast Demand for Internet Access

III. CHARACTERISTICS OF INTERNET TRAFFIC

Today's PSTN has evolved over the past 80 years to become a very efficient carrier of voice telephony. This evolution has occurred in a carefully planned fashion based on detailed understanding of the characteristics of voice traffic. The well established engineering model for voice calls assumes that: (i) the average call holding time is around 3 minutes, (ii) the statistical call holding time distribution is well approximated by an exponential distribution, and (iii) call arrivals are Poisson. These mathematical assumptions have been validated via analysis of measured data. In conjunction with appropriate demand forecasting models, they are used to engineer the PSTN. For example, the operations support systems (OSSs) that monitor trunk usage in the PSTN, utilize the above model to decide when and where additional trunking capacity should be provided. The large scale economics of the PSTN – e.g., its return on capital investment – are largely determined by how efficiently it can carry traffic across shared switching and transmission resources. Appropriate traffic models quantify what efficiencies can be achieved for a given grade of service (GOS).

Traditional models of voice telephony are embodied in a range of widely used standards, engineering procedures, OSSs, and cost models [1]. They underlie the traffic, measurement and engineering sections of Bellcore's LATA Switching Systems Generic Requirements (LSSGR) [2], that for many years have provided a benchmark for the functionality and performance expected of LEC switches in the U.S. They are likewise embedded in Bell System OSSs such as TNDS and COER [1], as well as in vendor supplied planning and engineering systems for specific switches. Finally, they are incorporated in tools used by the RBOCs for estimating the cost of the network switching and transmission equipment required to meet projected growth, based on detailed breakdowns of capital costs, etc.

Internet traffic is qualitatively different from traditional voice traffic. Based on current data analysis, internet calls have a mean holding time of the order of 20 minutes, and their distribution is not exponential.[1] Instead, the holding times of internet calls are statistically distributed according to a power law distribution. This means that with non-negligible probability, one can encounter calls with very long durations – e.g., 12 hours, 24 hours or longer. Traditional and internet call holding time distributions are illustrated in Figure 3. The plots in this figure give the probability that a call holding time will be greater than the time value on the x-axis. The 'flatter' shape of the internet distribution indicates that internet call durations vary widely from a few seconds to many hours. In contrast, the probability that a traditional voice call will last longer than a 10 minutes is very low, and the probability that it will exceed one hour is virtually zero. Traditional call holding times tend to be clustered far more closely around the average value of 3 minutes.

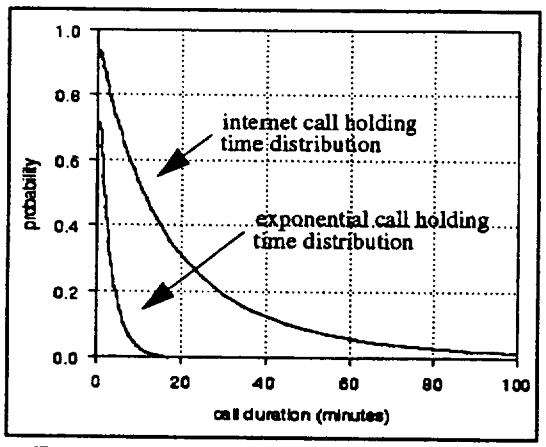

Figure 3: Call Holding Time Distributions

In addition to qualitative differences, internet traffic is also quantitatively different from traditional voice traffic. PSTN traffic loads are typically measured in units of centum call seconds (ccs), representing one hundred seconds of connect time. For example, a subscriber line which generates an average of 2 calls per hour with an average call holding time of 3 minutes is said to generate 2x(3x60)/100 = 3.6 ccs load, where the maximum possible load per line is 36 ccs. Historically, residential and business subscriber lines are expected to generate 3 - 6 ccs, with residential lines at the lower end of this scale and business lines at the higher end. The PSTN is engineered around this expectation. If a subscriber now starts using the same line to carry internet calls, as well as regular voice calls, the average load generated per line can rise to 10 ccs or higher. In this case, the network is suddenly required to handle about 3 times the load for which it is engineered.

IV. IMPACTS ON THE PSTN

The nature of internet traffic creates a number of issues for network engineering. The most immediate impact is due to the much higher loads generated by internet users. When significant number of subscriber lines suddenly generate 3 times their engineered load, one can expect significant congestion to occur in several parts of the PSTN: the local access switch, the backbone trunk and tandem network, and at the terminating switch which is connected to the ISP. Since internet traffic from a wide geographic area is typically funneled into the terminating switch, acute congestion is most likely to occur first at the terminating switch. In such cases, lines between the terminating switch and the ISP have been observed to be loaded to 30 ccs or more. Under these conditions, only a fraction of calls can successfully complete. That is, most calls are blocked due to lines not being available.

The congestion that has been observed in other parts of the PSTN – the access switches and trunking network – is partly due to elevated loads, and partly due to other less obvious causes. Line peripheral units in LEC switches are engineered to traditional traffic levels i.e., 3 - 6 ccs per line. In particular, line concentration ratios (LCRs) – the ratio of lines to trunks – are matched to these loads, so as to provide a uniformly good grade of service to subscribers e.g., <1% calls blocked. Internet usage can increase the load generated per subscriber line to 10 or more ccs, resulting in excessive blocking of call attempts, dialtone delay, and related problems. In summary, internet traffic can result in dramatic degradation of service quality.

The occurrence of excessive blocking is illustrated in a heuristic way in Figure 4. Figure 4 shows two blocking curves derived from traditional traffic models. One curve is for a scenario in which a group of lines is offered traditional exponential calls. The other is for a scenario in which 4% of the lines are effectively blocked out (i.e., continuously occupied) by long holding time internet calls. In the latter case, the presence of the internet calls produces a sixty-fold increase in the blocking experienced by the exponential traffic (from 0.05% to approximately 3%). Figure 4 shows that a small percentage of internet traffic can have a dramatic impact on network performance.

1. Based on preliminary analysis of recently collected data. More work is underway to refine internet traffic models.

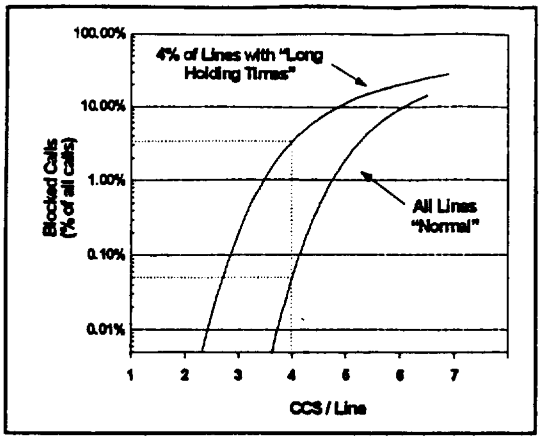

Figure 4: Blocking Scenarios

Within the PSTN, the only answer to this problem is to reduce LCRs i.e., to provide more trunks (and other switch resources) per subscriber line. In this way one regains the established grade of service, at the cost of providing additional network equipment. Since line terminating equipment is the largest capital component of switch cost, internet traffic has the potential to cost LECs large sums of money in 'out of cycle' capital expenditure. First cut estimates suggest that this cost will exceed $35M per region per year. However, this estimate is based on incomplete analysis, and the actual cost is expected to be much higher. Further studies are underway in Bellcore to produce more accurate estimates of this cost. Figure 5 shows Bellcore's analysis of a hypothetical scenario, which involves 30 central offices (COs) providing internet access, several tandem switches, and two internet 'hub' COs (i.e., terminating switches). For the purposes of this study, Bellcore's SCIS tool was used to estimate incremental capital and operational costs on a per switch basis.

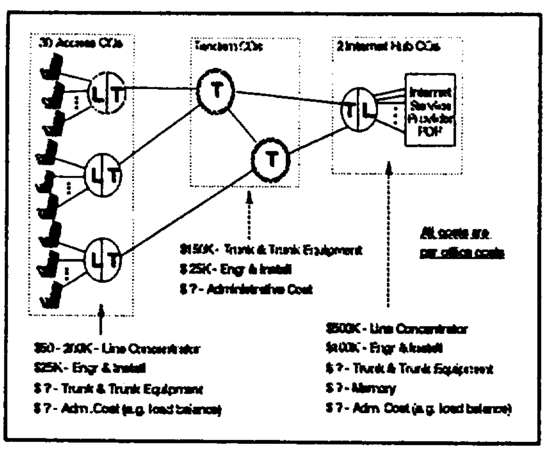

Figure 5: Cost of Supporting Internet Access

The largest cost components in all switches were associated with line terminating equipment. Note that trunk and administrative costs were not included in this study. Based on extremely conservative assumptions, the annual cost of supporting internet access in an ISP point-of-presence (POP) serving area was estimated to be in the range $2.7M to $4.2M+. (Costs vary according to factors such as vendor specific capital and operational costs.) A typical LEC will contain many such POP service areas. Note that this expenditure is likely to generate little compensating revenue for the LEC. Many subscribers will simply use their existing flat rate lines for internet access, resulting in zero additional revenues to the LEC. Others may purchase a second line – second line sales have risen substantially recently – however, the additional revenue from this source is unlikely to offset capital expenditure.

For more accurate estimates of the additional cost to LECs of supporting internet traffic on the PSTN, it is natural to turn to traditional traffic models. These models have been used in the past to engineer such quantities as LCRs, switch resources, trunk groups, etc. However, the qualitatively new characteristics of internet traffic imply that the traditional models are no longer valid. For example, it is not sufficient to simply plug the new elevated subscriber line loads into traditional traffic models, and recalculate line concentration ratios. The traditional models are overly optimistic and will tend to under-estimate the internet impact. New models are required, which account for the much greater variability in internet call holding times. This point is illustrated in Figure 6 below.

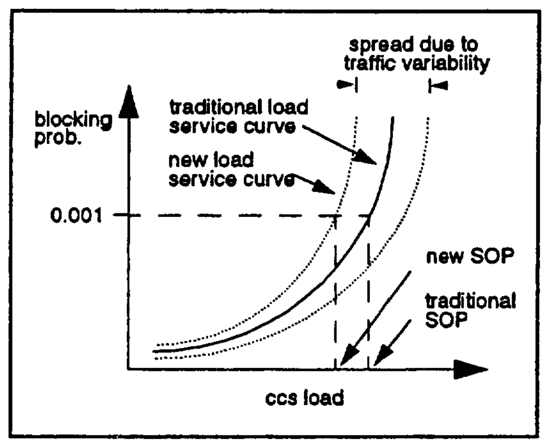

Figure 6: New Engineering Models

Figure 6 shows a traditional 'load-service' curve (solid line), for example, one that might be generated using an Erlang B or Poisson formula. For a given grade of service (i.e., blocking probability), such a curve is used to calculate a 'safe operating point' (SOP) for the relevant equipment. The SOP is the largest load that can be carried by the equipment while still meeting the GOS criterion. In the presence of internet traffic, switches and trunks can no longer be assumed to operate on the solid curve in Figure 6. Instead, they will tend to operate in some band around this curve, indicated by the dashed lines. It follows that in the presence of internet traffic, one must engineer the network more conservatively, according to the left-most dashed line. The overall impact of this effect is to de-load network equipment, and reduce network efficiency. The magnitude of this effect – i.e., the additional cost to the network associated with new engineering criteria – is yet to be fully quantified. However, work is underway in Bellcore to address this issue, and to provide suitable new engineering models in the near future. These models will replace the traditional models developed in the Bell System over the past 80 years.

Going beyond fundamental traffic models and capital costs, the increased variability of internet traffic will impact the operation of LEC networks in a variety of ways. In the area of operations and facility management, current procedures for load balancing and monitoring switch performance may prove inadequate for internet traffic. Severe difficulties have already been encountered in load balancing switches carrying significant levels of internet traffic. This problem is presently being studied by Bellcore to determine what changes are required to current procedures, and what new switch measurements may be needed. As noted in section 3, a number of the large scale OSSs and support tools used by LECs are based on traditional traffic models. These OSSs need to be updated to accommodate internet traffic. If they are not, the tendency will be for these tools to underestimate network resources, potentially resulting in poor service to subscribers, and sub-optimal network planning.

Finally, from the LEC perspective, it is important that equipment vendors, particularly switch vendors, be aware of these issues, and take necessary steps to incorporate new traffic models and engineering algorithms into their engineering, provisioning and planning tools. Switch vendors also need to consider whether new traffic measurements should be provided by switches, so that their customers can better track and respond to changing traffic profiles.

V. NETWORK SOLUTIONS

As noted above, the most common internet access arrangement at present is for ISPs to be connected to the local 'terminating' PSTN switch via large multiline hunt groups, consisting of hundreds or perhaps thousands of lines. No special actions are taken within the PSTN to identify or route internet access traffic separately, or at a different grade of service, from regular voice traffic – internet traffic uses exactly the same switches, trunk groups etc. This situation will be referred to below as the present mode of operation (PMO).

Sections I - IV discussed various PSTN impacts of internet access traffic in the PMO. It was noted that since the PSTN currently represents the only near-universal access method, any long term solution to these problems necessarily involves a staged migration from the PMO towards some packet network solution. This section describes a number of solutions that will relieve pressure on the PSTN, and ultimately allow internet traffic to be carried in an efficient, economical fashion. These solutions may be characterized as short term (ST), medium term (MT) and long term (LT). In each case the current barriers to implementing the solution are discussed.

As shown in Figure 7, internet solutions may be broadly characterized according to whether they are implemented in the access switches of the PSTN, or in the inter-office trunking network. Trunking solutions generally attempt to reduce stress on the PSTN by de-loading the switches as far as possible, and by trunking internet traffic more intelligently. ***Trunking solutions, however, do not address the central problem of internet traffic, which is that the PSTN is not designed to efficiently carry packet data traffic. Access solutions do address this problem. They attempt to siphon off internet traffic at the edge of the PSTN, before it enters PSTN switch and trunk facilities.*** Once the internet traffic is separated from voice traffic, it is then routed onto data networks, where it can be carried very efficiently. Access solutions have far more long term potential to reduce the cost of carrying internet traffic, and for this reason are likely to form the basis for any long term network solution.

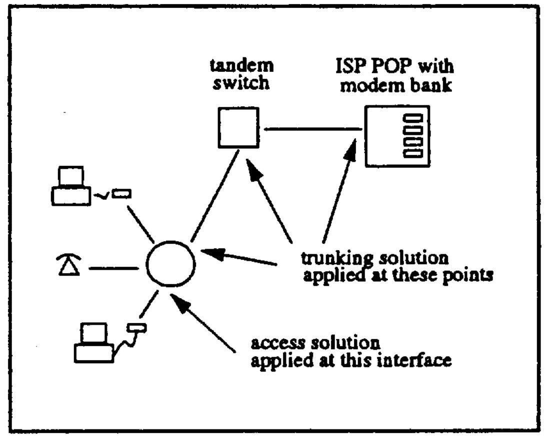

Figure 7: Access versus Trunking Solutions

It is possible to take advantage of both broadband technologies such as B-ISDN, Frame Relay, and ATM to provide a more efficient interface to ISPs as well as narrowband technologies such as Advanced Intelligent Network (AIN) or Local Number Portability (LNP) to more efficiently route the data calls within PSTN to switching systems that can better handle the data calls. While the underlying technology for these solutions is largely in place, a network planning assessment is needed to select the most promising and cost effective of these technologies to implement.

The trunking and access solutions discussed in this section are listed below, together with their characterization as short term, medium term or long term:

<u>TRUNKING</u>

- managed PMO (ST)
- numbering solution (ST)
- modem pool in CO (ST)
- post-switch adjunct (ST)

<u>ACCESS</u>

- managed PMO (ST)
- packet mode ISDN (MT)
- pre-switch adjunct (MT)
- ADSL (MT/LT)
- cable modems (MT/LT)
- packet radio (LT)

Managed PMO Trunking Solution

Trunking solutions address the problem of congestion in the trunking network and terminating switch. Although trunking solutions are technically feasible, they may not be within the full control of LEC for a number of reasons. First, an ISP buys only as many lines as it deems necessary to the terminating switch. For the most part, ISPs are content to provide a much poorer grade of service than in the PSTN. Internet traffic is growing so fast that customer retention is not an issue (at least in the near term), and customers themselves generally expect many calls to be blocked. Consequently, with too few lines to accommodate the offered load, congestion is likely to be a chronic problem on ISP lines.

This congestion can be contained by putting ISP lines on separate peripherals so that other customers are not affected. It could also be ameliorated by: (i) connecting the ISP to the terminating switch via trunk or primary rate ISDN (PRI) interfaces, (ii) connecting the ISP directly to tandem switches via trunk or PRI interfaces, so that switches are de-loaded, and (iii) connecting the ISP to remote integrated digital loop carrier (IDLC) interfaces, which could be engineered to an appropriate grade of service. The latter three actions would improve the LEC operations and facilities aspects of this problem.

However, ISPs currently perceive little incentive (e.g., in terms of cost) to move away from basic line side connections, and so they typically opt to be connected to the switch via multiline hunt groups. In some cases this choice may be made in ignorance of other options, or through failure to recognize the potential cost / performance advantages of more efficient interfaces. The competitive cost of basic line side connections is undoubtedly attractive to ISPs. However, line side connections are more expensive to maintain operationally, and as multiline hunt group sizes grow, there may be some cost incentive for ISPs to move towards trunk or PRI interfaces.

This issue highlights the role of tariffing in influencing practical network solutions. The tariffs applied to various line types by public utilities commissions (PUCs) in many cases reflect a traditional view of how subscribers utilize network equipment. Tariffs are set in part so that different classes of customers pay in proportion to their usage of network resources. However, internet traffic has distorted traditional patterns of network usage, and undermined the LECs' ability to recover costs in proportion to usage. Bellcore is currently helping the LECs address this issue through data studies in support of tariff changes.

AIN Routing / Numbering Solution

The main idea in this solution is to assign switched based dialed number (DN) triggers to pre-advertised internet or online telephone numbers. Once the originating switch recognizes that the call is destined to an ISP (based on the defined trigger), it can then either route these calls to a tandem or a large switching system that has sufficient capacity to carry the data calls (e.g., an inner-city switch which is under-utilized at night), or decide to route them out of the PSTN entirely and use a packet network to concentrate the data traffic for transport to the ISP. In either case, the first step in this solution would be to detect the data calls using the defined trigger, and segregate them from voice calls for more efficient transport and routing. The office-based DN trigger is available in most modern switching systems.

One implication of this approach is that every call through the switch must be screened for this trigger, which will typically require additional processor capacity. In the case of equivalent AIN triggers, there may be a substantial hit on switch processors, which translates into a substantial reduction in switch capacity, due to this potentially non-revenue producing internet traffic. A potential advantage of the AIN / numbering solution is that it concentrates internet traffic in relatively few places (e.g., designated trunk groups) and thereby achieves economic efficiencies in the engineering of CO equipment, as well as minimizing capital expenditure for high performance interfaces between selected tandems and ISPs.

Once a data call has been detected, it can then either use translations and routing tables in the switching systems to route the calls to pre-selected switches or alternatively launch a routing query to an AIN Service Control Point (SCP). The advantage of using SCPs is that switches do not need to store large routing tables that are subject to frequent change. SCPs permit intelligent routing based on availability of modem ports or routes, time-of-day and day-of-week routing, and other criteria that LEC and ISP can agree upon. Additionally, the LNP architecture offers the advantage of maintaining the same access numbers while routing the calls in way that is most cost effective for the LEC or ISP. Thus end-users always dial the same number to access the ISP. However, the network routes the call based on paths that are most suitable from a network capacity and cost point of view.

Modem Pool in Central Office / Post-Switch Adjunct

Instead of providing 1MB line interfaces to the ISP, in which case the ISP maintains its own modem pool, the LEC, as a value added service, could maintain a modem pool (or equivalent equipment) on its own premises, concentrate the output of this modem pool into high speed digital pipes (DS1/DS3) either at end offices or tandems, and then transport the aggregated data stream to the ISP across a data network (e.g., Frame Relay). This implementation may provide a more attractive interface for the ISPs – maintenance of large modem pools is an acknowledged problem – while providing the LEC with the opportunity to engineer the network so as to avoid the LHT related problems. One business driver for this solution is that ISPs desire to extend their local calling areas as far as possible, so that customers benefit from local calling rates. Widely deployed modem pools / adjuncts effectively achieve this objective. The business case, and deployment, implementation and engineering guidelines for this solution need to be more fully analyzed.

Managed PMO Access Solution

Within the local access switch, it is possible to take some actions to reduce or manage the impact of internet traffic. For example, if it is possible to identify heavy internet users, one can provide IDLC interfaces for these users, which are engineered independently of other lines to provide the required grade of service. Educated management of access switches will provide limited relief from internet problems – if nothing else, it is better for operations staff to understand the problem than to operate in a blind fashion. However, managed operation of access switches within the PMO will result in significant 'out of cycle' equipment expenses, and will not provide any substantial long term relief from internet problems.

Packet Mode ISDN

Data transmission only uses a fraction of the 64 kbps circuit switched bandwidth which is held up for the duration of internet calls. Specifically, data packets are sent back and forth across the circuit in rapid bursts followed by relatively long idle periods, and thus the bandwidth remains unused for most of the call. The inefficiency of carrying packet data over circuit switched networks was the main driver for developing packet switched networks such as X.25, Frame Relay, etc.

Ideally, one needs a simple method of identifying internet calls as data calls, and routing them to a data network before they enter the PSTN. In its packet mode services, ISDN provides such a method. Circuit mode ISDN calls operate in much the same way as traditional analog POTS calls. They seize a 64 kbps circuit and retain it for the duration of the call, regardless of whether the bandwidth is used or not. In contrast, packet mode ISDN calls do not reserve any fixed amount of bandwidth – they use bandwidth only as required. In packet mode calls, packets are sent as the subscriber generates them, and the switch is engineered to multiplex multiple packet streams together onto shared communication channels, so that bandwidth is utilized effectively, and all users receive an acceptable level of packet delay performance.

Packet mode services constitute a different paradigm for communications. They were included in ISDN for the purpose of carrying packet data traffic, but for a variety of reasons have not been made generally available to the public. Some of these reasons are possibly connected to questions concerning the capacity of ISDN packet handlers (which siphon off packet data traffic at the access side of the switch), and some may be related to lack of (pre-internet) applications and positioning of these products within the market place.

Although there are issues concerning the capacity, engineering and cost of ISDN peripherals, packet mode ISDN in principle constitutes the most attractive solution for identifying and segregating data calls at the access side of the switch. Implementation of ISDN as a practical solution may require interactions with switch suppliers to understand current limitations of packet handlers, and possibly increase their capacity in line with projected demand for packet mode services. Interaction may also be required to investigate appropriate engineering algorithms for ISDN switches. These same issues are currently arising through the use of packet mode ISDN services for point of sale (POS) transaction traffic.

Pre-Switch Adjunct

The idea of a pre-switch adjunct is to put some equipment with switching and modem capabilities between the subscriber and the local access switch. This adjunct equipment would perform some sort of table lookup on each call origination, to determine whether the call is destined to an ISP, or whether it is a regular voice call. In the first case, the adjunct equipment would route the call to a data network (via a modem function) and totally bypass the LEC switch. In the case of a voice call, the adjunct would simply pass the call to the LEC switch, and call setup and billing would proceed normally.

The idea behind the access node is valid – to siphon off data calls before they hit the LEC switching network. However, there are a variety of technical and business issues which need to be resolved with this approach, including the engineering and operations issues surrounding support of the adjunct, the cost of the additional equipment versus other solutions, implementation of billing, etc. In addition, since the adjunct resides between the subscriber and the local access switch, which is the subscriber's primary point of contact to the network, the pre-switch adjunct solution raises sensitivities to issues such as reliability, priority for emergency calls, recovery from failures, overload control, etc.

Asymmetric Digital Subscriber Loop (ADSL)

ADSL is an emerging technology that would replace or supplement the existing POTS or ISDN line between the subscriber and the local access switch. ADSL provides more bandwidth from the switch to the subscriber than in the reverse direction, from the subscriber to the switch. This arrangement is based on the expectation that subscribers will typically want to receive more information (e.g., video images) than they send. ADSL also provides the capability to siphon off data calls on the access side of the switch, before they enter the PSTN. These calls could then be routed to a packet network for efficient transport. Although it represents a potential solution, the timeframe and economics of ADSL rollout and acceptance are not clear.

Cable Modems

Cable modems utilize a shared hybrid fiber coax (HFC) medium and a media access control (MAC) scheme to share bandwidth among a subset of customers from a cable head-end. Cable modem technology has the potential to provide attractive high speed data access to cable-equipped subscribers. However the implementation details of this technology are still being explored. Since most, if not all, cable modem technology is implemented with a MAC scheme that allows for collisions and retransmissions, many details of the modem architecture, MAC scheme, traffic characteristics, line length (i.e. propagation time), deployment topologies, etc. will affect the real-world throughput of these devices. Vendor claims of 100 times narrowband ISDN bandwidth may greatly overstate their realizable throughput in realistic deployment scenarios. The aggregation of the upstream bandwidth of these devices is also dependent on traffic characteristics, as the upstream bandwidth is limited.

As with packet mode ISDN and ADSL, cable modems represent a solution in which internet traffic would be carried over data networks rather than the PSTN. Since cable lines are owned by cable companies, cable modems represent a potential competitor to the LECs. In order to retain market share, the LECs either need to team with cable companies, or deploy alternative solutions that are competitive with cable modems in terms of access speed, ease of installation, etc. As with ADSL, the timeframe and economics of cable modem rollout and acceptance are not clear.

VI. CONCLUSIONS

Due to a variety of market drivers, including wider availability of personal computers, the popularity of web browsers, and the rapid increase in internet service providers, internet traffic on the PSTN has experienced explosive growth in the past 6 to 12 months, and is projected to continue this growth for at least the next 5 years. The public switched telephone network (PSTN) will be the main carrier of internet access traffic for the foreseeable future. The PSTN is already struggling under the increased volume of this traffic, and network problems such as congestion, excessive blocking of subscriber calls, and exhaustion of switch capacity point to the danger of network failures unless effective short term and long term network solutions are identified and implemented soon.

Internet traffic is essentially data traffic, and can be carried most effectively on data networks. However, since the PSTN is currently the only near-universal method of access, any long term solution will necessarily involve a staged migration from the present mode of operation to some data network solution. The burning issue for LECs is how to engineer this migration in a cost effective and timely manner, given current technological constraints. This paper has identified a range of actions that can be taken to orchestrate a satisfactory long term solution. The final solution for each LEC may include a number of these actions, and could well be influenced by the unique business strategies and network plans of that LEC.

Regardless of the ultimate solution selected by an LEC, there is a substantial amount of work required in order to cost out the alternatives, perform interoperability testing of various supplier equipment, formulate appropriate engineering and operations plans for the network, and translate these technical advances into attractive products and marketing strategies. In parallel with this activity, it may be desirable for the LECs to jointly support the industry in formulating common equipment / interface standards and functional requirements, to facilitate service offering and interworking within the U.S. market.

REFERENCES

[1] *Engineering and Operations in the Bell System*. Bell Telephone Laboratories, 1983.
[2] *LATA Switching Systems Generic Requirements*. Bellcore Document TR-TSY-000064.

LIST OF ACRONYMS

ADSL	asymmetric digital subscriber loop
AIN	advanced intelligent network
ATM	asynchronous transfer mode
B-ISDN	broadband ISDN
CO	central office
COER	Bell System OSS (see reference [1])
DN	dialed number
GOS	grade of service
HFC	hybrid fiber coax
IDLC	integrated digital loop carrier
ISDN	integrated services digital network
ISP	internet service provider
LATA	local access and transport area
LCR	line concentration ratio
LEC	local exchange carrier
LHT	long holding time
LNP	local number portability
LSSGR	LATA Switching Systems Generic Requirements
MAC	media access control
OSS	operations support system
PC	personal computer
PMO	present mode of operation
POP	point of presence
POTS	plain old telephone service
PSTN	public switched telephone network
PUC	public utilities commission
RBOC	Regional Bell Operating Company
TNDS	Bell System OSS (see reference [1])
WAH	work at home
WWW	world wide web

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-4
November 19, 1999
Item No. 4
Page 41 of 58

Architectural Solutions to Internet Congestion Based on SS7 and Intelligent Network Capabilities

A Bellcore White Paper by Dr. Amir Atai and Dr. James Gordon

Abstract: The explosive growth of the internet has created problems for the Public Switched Telephone Network (PSTN), which for the foreseeable future will provide the majority of users with internet access via dialup modems. Based on current growth rates, the volume of 'internet' traffic on the PSTN is forecasted to rival or overtake 'regular' telephone or fax traffic in the next few years. This represents an enormous shift in the volume and nature of the PSTN traffic.

All of the solutions proposed to date recognize that it is necessary to off-load internet traffic from the PSTN. The PSTN is optimized for circuit-switched voice traffic, whereas internet traffic is most efficiently carried by packet-switched networks. In the search for effective off-load strategies, the first impulse has been to look for technological answers, i.e., to employ a new class of equipment to siphon traffic off the PSTN.

However, it is equally important, and perhaps more cost effective, to explore the use of existing features and capabilities in the voice network to develop efficient strategies to carry internet traffic. Intelligent Network capabilities, and those provided by Signaling System No. 7 (SS7) infrastructure, can be used to construct off-load architectures with flexible routing and call control. This report describes a number of such architectures.

1. Introduction

Reed Hundt, outgoing chairman of the FCC, recently voiced the need for a "... high speed, congestion-free, always reliable, friction-free, packet-switched, big band-width, data friendly network that is universally available, competitively priced, and capable of driving our economy to new heights. .. If we build it, the wonders will come." [A]

The authors of this paper are in agreement with Chairman Hundt's desire for ready public access to high speed data networks and the internet. The center of mass in the telecommunications industry is shifting away from traditional voice technology to data networking. High speed public data networks are needed to support a range of advanced telecommunications and information services that will become available in the near future, including commerce over the web, multimedia applications, and internet telephony.

However, while data networks will be a key ingredient of the future, the existing voice network (the PSTN [1]) will not become obsolete overnight, or even for many years. For one thing, there is a huge investment in the PSTN which cannot simply be discarded. Furthermore, the PSTN is a sophisticated system that offers an array of advanced features that cannot be matched by data networks in their present stage of maturity. With intelligent planning and packaging of services, voice and data networks should in fact complement and augment one another, for the greater benefit of subscribers.

The integration of voice and data services was planned well in advance by the 'minders' of the telecommunications infrastructure. For example, work began as early as twenty years ago on an Integrated Services Digital Network (ISDN), that would combine voice and data services. While ISDN has enjoyed a recent surge in popularity due to the growth in internet traffic, its penetration is still very small.[2] Efforts to simplify ISDN or-

1 Public Switched Telephone Network.

2 According to references in a recent FCC report (reference D), approximately 70% of subscriber lines can in principle support ISDN. However, only 1% of access lines actually have ISDN equipment deployed. And only 1.4% of internet users employ ISDN service.

dering and provisioning are currently underway, with the goal of increasing ISDN penetration. However, support for ISDN may be eroded by competition from newer technologies such as high speed analog modems and Asymmetric Digital Subscriber Loop (ADSL).

In principle, ISDN should have provided a 'data pipe' into residential homes, to supplement the existing 'voice pipe'. As always, access is one of the main barriers to the growth of data services – the famous 'last mile' problem. In the absence of widely available data access to residential homes, data services will tend to remain niche products, available to limited segments of the population. The need for 'universal' high speed data access might be satisfied in the future by technologies such as ADSL and cable modems. In the near term, however, these products are unlikely to achieve widespread deployment, due to immaturity of the technology and the initial expense of equipment.

Over the next few years, the PSTN will provide the vast majority of residential users with access to the internet and other data networks. Using voice circuits or 'pipes' to access data networks is not an ideal solution. However, it is the only alternative that is feasible in the short term. Ironically, in spite of the failure to deploy large scale residential data access, internet traffic may well drive the first widespread integration of voice and data networks. Due to popularity of the World Wide Web, etc., dialup internet traffic on the PSTN has experienced dramatic growth over the past two years. This in turn has created problems for the PSTN, leading network operators and equipment vendors to seek ways of off-loading internet traffic from the PSTN onto data networks.

At present, the pros and cons of various internet off-load strategies are being debated, and subject to market-place evaluation. For example, carrier meetings such as Bellcore's Internet Traffic Engineering Solutions Forum (ITESF)[3] are actively exploring architectural solutions for the internet congestion problem.

[3] The ITESF was created in 1997 and meets quarterly. At the time of writing, membership includes 8 carriers from the U.S., Canada, and Australia. Its goal is to understand the impact of internet traffic on LEC networks, share best practices, and identify architectural solutions. Equipment suppliers are also invited by the ITESF to discuss relevant current and future products.

In the search for solutions, the first impulse has been to look for technological answers – i.e., to employ some new class of equipment to siphon traffic off the PSTN. However, it is equally important to explore the potential for using existing features and intelligence in the voice network to develop efficient strategies for carrying internet traffic. In particular, the Signaling System No. 7 (SS7) and Intelligent Network (IN) capabilities of the PSTN have the potential to enhance the management, and streamline the transport of internet traffic, whatever technology and network equipment is employed.

This paper reviews a number of network architectures that facilitate the inter-working of the PSTN and data networks and, in particular, that allow internet traffic to be off-loaded from the PSTN onto data networks for more efficient transport. The pros and cons of these architectures are discussed. A particular emphasis of the paper is on the possible role of IN and SS7 capabilities in supporting the flexible transport and management of internet traffic. The main conclusion of the paper is that SS7 and IN capabilities can significantly improve the attractiveness of both pre-switch and post-switch off-load architectures.

2. Problem Statement

Internet traffic creates a number of problems for the PSTN, but ultimately the most critical problem is that it upsets the PSTN's established economics. Internet traffic increases the load on PSTN resources, requiring the purchase and deployment of additional PSTN equipment, in order to carry the excess traffic. It follows that internet traffic increases the costs experienced by network operators. In contrast, it results in little or no compensating revenue. Or, as in the case of second lines, the revenue is outweighed by the increased costs.[B]

At present, many local exchange carriers (LECs) are in a holding pattern with regard to internet traffic, while potential solutions are evaluated. Although sufficient equipment has been added to cope with current demands, there is a clear recognition that better solutions are required. Furthermore, practical workable solutions are needed soon, since there appears to be no slow-down in the rate of growth of internet traffic.

One example of internet growth concerns the recent introduction of flat-rate pricing for some popular on-line services. Bellcore measurements suggest that under flat-rate pricing plans, users will stay on-line up to twice as long (on average) as under metered rate plans. Understandably, given the number of online users, this doubling of call duration can result in significantly higher loads for the PSTN. Internet growth forecasts from several sources all point to continued rapid growth. For example, by the year 2000 it is estimated that 30% of US households will be on-line, compared to 15% in 1997.

The continued growth of internet traffic adds to the costs of network operators. Since tariff relief is unlikely in the near term, the only solution to this problem is to proactively reduce costs by carrying internet traffic more efficiently. There are many proposed architectures for doing this, and the challenge for carriers is to identify the best off-load strategies, and synthesize the one(s) that are most cost effective, and that are consistent with network evolution. The final solution may well make use of many different elements, including new types of equipment, and the use of IN capabilities in creative and novel ways.

For a brief description of internet-related problems on the PSTN, and a survey of architectural solutions, the reader is referred to an earlier Bellcore white paper on this subject.[C] The impact of internet traffic has been documented in more detail in studies by Bell Atlantic, NYNEX, Pacific Bell and US WEST (see the web pages for these companies), and a comprehensive overview is provided by a recent FCC paper.[D] In addition, internet congestion has been discussed in numerous technical magazines and mass media articles and a more general perspective on how internet traffic affects PSTN engineering is given by the Bellcore article.[E] Many suppliers have developed, or are in the process of developing, products aimed at alleviating or solving internet congestion on the PSTN.

3. Key Issues

3.1 Why off-load?

The root cause of internet congestion is that internet calls have a much longer duration than the voice calls for which the PSTN was designed. Typical internet calls have an average duration of 20 minutes or longer, while average voice calls last 3-5 minutes. In addition, a segment of internet users stay online for many hours at a time. The probability of a voice call exceeding one hour's duration is less than 1%. In contrast, more than 10% of internet calls will exceed one hour.

In a circuit-switched network such as the PSTN, these long holding time (LHT) calls tie up both switch resources and interoffice trunks, and cause congestion that affects all users. Bellcore traffic modeling, supported by field measurements, shows that small increases in the amount of internet / LHT traffic can significantly increase the probability of call blocking (the main quality of service measure in the PSTN). For example, if 4% of users generate internet calls with 45 minute call holding time, then the probability of blocking increases from 1% to 7% (assuming no additional network equipment is deployed).

Even though an internet call lasts much longer (on average) than a voice call, the line is not actively used during the entire call. It is estimated that internet users utilize only 1/5 to 1/6 of a voice circuit's bandwidth. The on-off nature of internet traffic makes it ideal for packet switching, which 'multiplexes' (i.e., combines) several users' traffic onto a single channel. It is anticipated that multiplexing gains of 300% to 500% can be achieved by transporting internet access traffic on packet-switched versus circuit-switched networks. The efficiencies obtained through statistical multiplexing result in lower capital and operational costs, provided the traffic is of sufficient volume, and assuming that a data network infrastructure is in place. These reduced costs are a principal motivation for off-loading internet traffic from the PSTN onto data networks.

3.2 Present Mode of Operation

Before discussing off-load architectures, it is useful to understand the present mode of operation (PMO). Presently, most Internet Service Providers (ISPs) interface to local exchange carrier (LEC) networks via multi-line hunt groups or Primary Rate ISDN (PRI) (see Figure 1). Typically, the switches that ISPs connect to are chosen (by the ISPs) in order to maximize the free calling area. Often they are residential switches that were not designed to handle high volumes of traffic, particularly LHT traffic.

As shown in Figure 1, calls from many originating (or ingress) switches are routed through tandems or direct trunk groups to the terminating (or egress) switch, where they gain access to the ISP modem pool. This network topology funnels traffic into the egress switch, and can easily lead to congestion unless carefully engineered by the LEC. Routine operation of switches includes the task of provisioning new lines, and load balancing new and existing lines across line peripherals, so that uniformly good service is provided to all customers.

The fact that LECs often do not know what lines are used for internet access makes provisioning and switch load balancing a non-trivial and laborious task. It is estimated that internet-related load balancing costs a large LEC on the order of $30 million dollars a year in additional operations costs. Nevertheless, it is an important function. If allowed to occur, traffic imbalances on switches will cause non-uniform blocking for users, leading to poor service for subscribers, and other capacity management problems for the LEC.

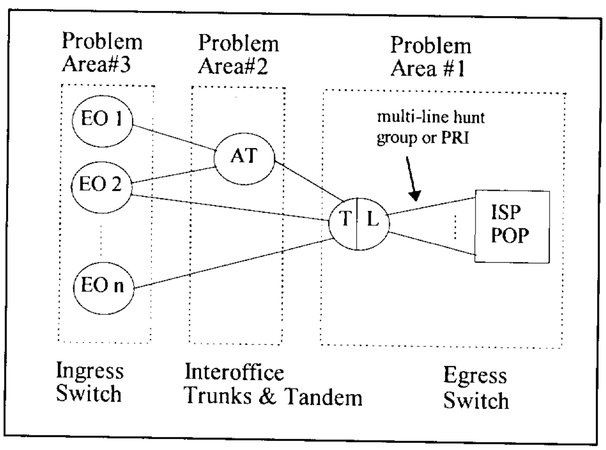

Figure 1: PMO Problem Areas

In Figure 1, the switches most likely to experience congestion problems are the egress switches which serve ISPs (Problem Area #1). As noted above, multi-line hunt groups (1MB lines) are a common method of connection between the egress switch and ISP. However, there is a significant movement on the part of LECs and ISPs towards primary rate ISDN (PRI) for the following reasons. For LECs, PRI has the advantage of being a trunk-side rather than a line-side connection. Since there is no concentration on trunk-side connections, PRI connections reduce the likelihood of switch congestion. (Specifically, they eliminate the problem of congestion in switch line modules.)

For ISPs, PRI connections have several advantages, though they are more expensive than 1MB lines. First, 1MB lines make it difficult to achieve high modem densities due to wiring constraints. By virtue of simpler physical wiring, PRI connections support higher modem densities. Second, digital carriers (such as PRI and D-4) provide better transmission quality, which is important for recently introduced 56kb modems. Finally, ISPs can obtain network management information via the PRI (signaling) D-channel. This information is valuable to ISPs, since it allows them to track calling numbers, customer usage patterns, etc.

In Figure 1, the second segment of the network that is impacted by LHT traffic comprises the interoffice trunks and access tandems (Problem Area #2). Since under normal circumstances trunks carry both voice and internet traffic, additional internet traffic requires the provisioning of additional trunks to ensure adequate service for both voice and data users. The least congested elements in Figure 1 are likely to be the originating or ingress switches (Problem Area #3). Initially, ingress switches are unlikely to experience congestion, since only a fraction of all subscribers are internet users. However, as internet penetration grows, internet-related congestion will progressively occur in more and more ingress switches, causing similar problems to those in egress switches.

Understanding internet congestion from a network perspective is critical in designing cost-effective solutions. At current internet penetrations, it is estimated that 25% to 33% of all switches can be categorized as egress switches. Based on the above discussion, the most immediate network segments to de-load are Problem Areas #1 and #2. However, ingress switches (Problem Area 3) may also be congested in certain high-penetration areas, and addressing congestion in ingress switches will become more important as time goes on. Effective internet off-load architectures need to address all three problem areas, and be capable of reducing congestion where it is most acute, as determined by internet penetration levels, varying traffic patterns and communities of interest.

3.3 Off-Load Architectures

Faced with the growth of internet traffic, carriers have a fundamental choice. They can continue to add equipment to the PSTN in order to maintain service quality for all customers, while carrying internet calls on the same facilities as regular voice calls. Alternatively, they can adopt some new network architecture – referred to here as an off-load architecture – which effectively segregates internet traffic from regular voice traffic, and allows internet traffic to be carried more efficiently over dedicated facilities or a packet network.

If the first course is adopted, there are several short term engineering approaches which can be used to fine tune the PSTN for internet traffic. One such approach is to identify heavy internet users (by some means), and terminate their lines on digital switch modules that are more flexible in term of line concentration ratios. For example, new classes of line modules and 'Next Generation' Digital Loop Carrier systems can be used to support line concentration ratios as low as 1:1, potentially eliminating blocking at the line concentration level of the switch.

In this approach, heavy internet users would be carried on the same facilities (i.e., switch modules and trunks) as voice customers. However, the engineering rules for both switches and trunks would be modified (i.e., made more conservative), in order to provide acceptable service to all customers. Apart from its higher cost, this approach raises a number of practical issues, including: (i) the development of new engineering procedures, (ii) the development of provisioning and load balancing procedures for shared switch modules, and (iii) planning and managing network capacity in the presence of several distinct classes of traffic.

While the above approach undoubtedly provides immediate relief for network operators, and is appropriate in the short term, it fails to address the fundamentally different nature of internet traffic. If dialup internet traffic continues to grow at forecast rates, its volume will soon rival that of regular voice traffic on the PSTN. In this situation it no longer suffices to adopt makeshift solutions to internet congestion. Instead, it becomes desirable to treat internet traffic as a distinct class of traffic with its own requirements, and to develop network architectures that can transport internet traffic efficiently, and provide the features required by end-users.

A simple form of internet off-load architecture would be to segregate internet traffic within the PSTN. According to this strategy, one would identify internet calls (e.g., by means of intelligent network capabilities), and route them over dedicated switch modules and trunks within the PSTN. This strategy may well prove to be cost-effective in the medium term, and provide an intermediate step towards a full data off-load architecture. It could be implemented using existing SS7 and IN capabilities, and avoids a number of evolution issues associated with data networks and protocols (see section 3.6).

Ultimately, however, data networks will provide the most efficient means of carrying internet traffic. By taking advantage of statistical multiplexing gains, data networks can efficiently transport internet calls. Furthermore, data networks will in time provide the features and services that are most closely aligned with internet (and other data) applications. If the decision is made to migrate towards a full data off-load architecture, the question arises as to how best to achieve this goal. As noted above, for the foreseeable future the PSTN will provide the majority of users with access to the internet and other data networks. It follows that a key element of any data off-load strategy is to decide at what point within the PSTN one should re-direct internet calls onto a data network. There are two basic options:

1. Post-Switch (Trunk-Side Redirect) – In a post-switch architecture, internet calls are allowed to pass through the ingress switch, before being re-directed out of the PSTN and onto a packet network for final delivery to an ISP. The main benefit of this approach is that internet calls by-pass the PSTN's interoffice trunks and the egress switches, and are instead transported by a packet network. However, the ingress switches are still involved in both the signaling and transport phases of internet calls.

2. Pre-Switch (Line-Side Redirect) – In a pre-switch architecture, internet calls are intercepted and re-directed onto a packet network on the line side of the ingress switch. The goal is to by-pass all PSTN elements (ingress switch, trunks, and egress switch). Note that although the ingress switch is no longer involved in internet call transport, it may still be involved to some extent in call-related sig-

naling. However, its involvement is minimal in comparison to a post-switch architecture.

Sections 4 - 6 provide examples of these two classes of off-load architecture. They also describe the features and capabilities needed to make post-switch and pre-switch architectures effective, flexible and robust. And they comment on the pros and cons of the architectures from a technological and cost perspective.

3.4 Internet Call Identification, Routing

A problem common to all internet off-load architectures is how to identify and route internet versus voice calls. The most straightforward approach to this problem is to provide full 10-digit number translations (i.e., routing instructions) within every switch in the PSTN. However, this solution could be an administrative nightmare, and would not provide as much flexibility as other alternatives. The following discussion describes several other methods for internet call identification and routing.

IN Office-Based Triggers – One option is to obtain all ISP and on-line service provider (OSP) telephone numbers, and configure office-based 'triggers' for these numbers. Every call entering the switch would be screened against the list of numbers. Internet calls would 'hit the trigger' (i.e., be positively matched against a known ISP / OSP number), causing the switch to issue a query for routing instructions. Advantages of this scheme are that there is no need to alter dialing plans (i.e., ISP / OSP numbers), and this type of trigger should be available on all modern switching systems, since it is required by many basic IN and SS7 type services. Disadvantages are that ISP / OSP numbers are not always known in advance, and office-based triggers consume additional switch processing power, since every originating call (both voice and internet) must be screened against the trigger.

LNP Routing of ISP Numbers – Since LNP will soon be widely deployed (under regulatory mandate), the option exists of configuring ISP / OSP numbers as LNP ported numbers, and using LNP queries to obtain routing information for internet calls. In LNP, inter-switch intra-LATA calls to a ported NPA-NXX hit an LNP trigger, causing routing queries to be sent to an LNP database. With modifications, the same mechanism could possibly be used to route internet calls. For instance, the Location Routing Number (LRN) returned by an LNP query could point to an Internet Call Routing (ICR) node (see sections 4 and 5), rather than a 'ported-to' switch as is the case in LNP. This strategy has at least two advantages. First, there is no need to alter dialing plans. Second, it gives ISPs the flexibility of moving location and / or carrier, in a way that is completely transparent to their customers. ISP customers would continue to dial the same access numbers, and the network would ensure that calls got routed to the ISP's new location or carrier. Of course, this use of LNP raises a number of protocol and administration issues, which would need to be addressed before it can be implemented in the network.

IN Single Number Service – Currently, ISPs advertise many access numbers to their customers. For example, different numbers may be used for different calling areas, different modem banks (i.e., different speed modems) within the same calling area, etc. Single Number Service is an intelligent service within the PSTN, that allows calls to a single number to be routed to different locations based on various criteria. For example, calls can be routed to the nearest ISP point of presence (POP) during business hours, and to a remote central location outside of business hours. Different 'single' numbers could be used for 28.8 versus 56kb modems, or the network itself could route calls to the correct modems based on stored customer information. For ISPs, Single Number Service can greatly simplify the administration of access numbers and technical support call centers. Note that in future internet off-load architectures, the location of modem functionality may shift from the ISP POP to some other location (e.g., access server). Single Number Service would make such changes transparent to ISP customers.

***XX Service Code** – A final method is to assign a special service code to internet calls, such as the 800 service code used for toll free calls. The advantage of the service code approach is that it makes it easy for switches to determine that an originating call is an internet call. This detection would occur early in the switch's digit analysis, in contrast to an office-based trigger where the switch must wait for the user to finish dialing all digits and then compare the results with the trigger list. An obvious disadvantage of the service code approach is that it changes the user dialing plan.

3.5 Access Server and ICR Node

The assumption underlying all off-load architectures is that, once an internet call has been identified, it can be routed to some transport facilities outside of the normal PSTN. These facilities could be dedicated point-to-point links to an ISP, or they could be a packet network. In either case, there is typically a need for some intermediate network element that will act as an interface between the PSTN and the non-PSTN internet transport facilities.

We refer to this element as an access server (AS). Note that the term AS is a loose one, that could describe several types of equipment with different functionality. For example, the AS could take incoming calls from SS7 trunks in the PSTN, and forward them over PRI to ISPs. In this case, no data transport is involved. However, the AS is required to be capable of SS7 signaling. Alternatively, the access server could incorporate modem bank functionality. In this case, the AS would terminate incoming PSTN calls, convert them to packet format, and forward them to ISPs over a packet network. In all cases, the common feature of the AS is that it acts as a *transport* interface between the PSTN and internet facilities.

Several of the off-load architectures discussed below utilize a new type of SS7 *signaling* node, which we refer to as an Internet Call Routing (ICR) node. The ICR node contains the routing intelligence for internet calls. It is a central network element, that controls internet call routing via instructions to ingress switches and / or access servers. Signaling between the ICR node and switches is via SS7. Signaling between the ICR node and access servers will probably be via some other (possibly proprietary) protocol.

We emphasize that access servers and ICR nodes (Bellcore's terms) are relatively new elements in the PSTN (though they have precedent in existing adjunct equipment such as intelligent peripherals and voicemail systems). Functionally, access servers and ICR nodes are not well-defined, and can be expected to evolve according to market demand, changes in internet protocols, etc. The functions of access servers and ICR nodes are described in more detail in sections 4 and 5 below.

3.6 ISP Issues

While LECs have some latitude within the present mode of operation (PMO) to improve the handling of internet traffic within their own networks, significant efficiencies will only be achieved by moving to off-load architectures. This in turn requires the participation or cooperation of other parties, chiefly ISPs. In order to be attractive to ISPs (and their customers), off-load architectures must provide a number of key capabilities. These can be summarized under the three headings of administration, authorization and authentication (AAA).

ISPs are extremely sensitive about relinquishing the administration of modems (or modem functionality) to third parties such as LECs. One reason is that they have 'grown up' with existing modem technology, and have become very efficient at maintaining it. A more fundamental reason is that retaining control of modems allows ISPs to directly manage their own customer bases, without relying on third parties, and without having third parties intrude on this relationship. Sensitivities regarding customer access are heightened by the fact that some LECs have ISP subsidiaries.

A key element of many off-load architectures is to move modem functionality away from ISPs and closer to end users, so that internet calls can be converted to packet format as early as possible, to take advantage of multiplexing gains. As a pre-condition for the successful implementation of off-load architectures, it is therefore critical that LECs address the ISP concerns regarding access to, and security of, ISP customer information. (Note that LECs are not necessarily enthusiastic about taking over modem maintenance. However, they recognize that it may be a necessary step in obtaining the benefits of off-load strategies.)

Similarly, ISPs do not want to give up authorization and authentication functions. They want to maintain their own private databases of customers in good standing, and regulate access to their facilities via their own authentication procedures. Currently, internet protocols will not easily support joint authentication by the network provider and ISP. Joint authentication requires that one separate the physical event of a modem answering a call from the user authentication process. Achieving joint authentication would allow the LEC to regulate access to its transport network, and the ISP to separately regulate access to its own facilities.

Given the ISPs' concerns, the capability to perform joint authentication is another pre-requisite for moving modems away from ISPs and closer to end users. Tunneling protocols may provide an answer to this problem, as well as providing better capabilities for encryption, and performance guarantees for traffic streams carried by shared internet facilities. In fact, satisfying the ISPs' technical and business requirements may depend more on the future evolution of internet protocols than it does on the LECs' service offerings.

4. Post-Switch Architectures

Post-switch architectures, which intercept calls on the network side of access switches, provide a solution for internet congestion that is potentially more integrated with existing PSTN functionality. PSTN ingress switches are currently the main repository for call processing logic, routing intelligence and subscriber line features. By relying on ingress switches to identify and route internet calls, post-switch architectures can potentially take full advantage of IN and SS7 signaling capabilities to efficiently transport and manage internet traffic.

4.1 Description of Architectures

This section describes three post-switch architectures. Note that all three architectures utilize the same technique to identify internet versus non-internet calls. As described in Section 3.4, an ingress switch has the option of identifying internet calls by means of 10-digit dialed number translations, or by means of IN triggers and SCP query / responses. Beyond this common element, the three architectures use different strategies to achieve efficient signaling and transport.

Architecture A: Line / PRI Interface

Architecture A is illustrated in Figure 2. It shows a simple arrangement in which the ingress switch routes internet calls to an Access Server (AS). The AS acts as an interface between the PSTN and a data network. Note that in this architecture, the AS and switch are connected by a regular telephone line (e.g., multi-line hunt group) or Primary Rate ISDN (PRI). At present, these two methods are the most prevalent means of connecting switches to adjunct equipment.

There are disadvantages to both line and PRI interfaces. The line interface is difficult to manage at a switch level, due to the size of multi-line hunt groups, and the present lack of Operations Support Systems (OSS) capabilities for non-standard engineering, tracking, measurements, etc. In addition, the line interface is likely to be expensive, given that line unit costs are predicated on 'traditional' subscriber usage patterns and line-concentration ratios. Internet lines tend to be more heavily utilized than regular lines, requiring more investment in switch equipment per subscriber line. Finally, the line interface provides no capability for intelligent signaling, which could be used for example to monitor subscriber usage and identify heavy users. On the plus side, by relying on the ingress switch, architecture A can provide dynamic routing (e.g., in case of modem congestion), but only if the modems are directly adjacent to the ingress switch (i.e., are located in the AS).

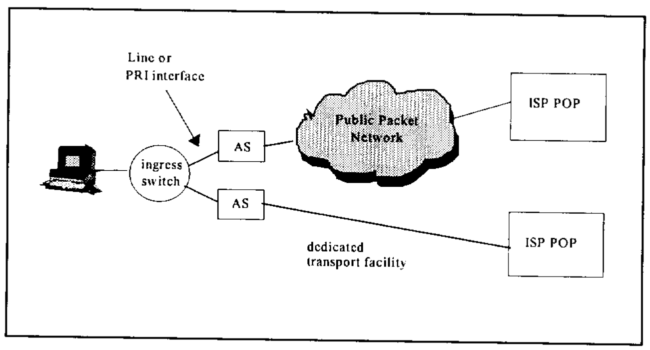

Figure 2: Post-Switch Architecture A (line / PRI)

In comparison, the PRI interface is functionally attractive, since it supports out-of-band signaling that can potentially be customized to the internet application. PRI is also easier to manage than multi-line hunt groups, as described in section 3.2. However, for reasons associated with current switch architectures and provisioning limitations, PRI may be unsuitable for large scale deployment in the network. In effect, there

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-4
November 19, 1999
Item No. 4
Page 49 of 58

may be insufficient capacity for PRI terminations in the PSTN to support large scale use.

Architecture B. SS7 Trunk Interface & ICR Node

There are strong practical motivations for requiring the interface between the ingress switch and AS to be an SS7 trunk. SS7 trunks are the basic means of transporting calls between switches inside the PSTN, and are readily provisionable on almost all switches in the network. Due to their availability, and also their streamlined support in existing OSSs, SS7 trunk architectures offer the best hope of providing a widely deployed, scaleable architecture for internet traffic.
However, current access servers do not support an SS7 trunk interface. The use of SS7 trunks implies that calls are setup using the SS7 protocol and the Common Channel Signaling network. This in turn implies that call setup signaling for internet calls must be processed by an SS7 capable node. At present, access servers are relatively simple devices, which perform the functions of a modem bank, without any call processing or SS7 intelligence. It is probably not economical to implement SS7 capabilities in the AS. This strategy would make the AS too expensive to deploy on a large scale. Also, individual access servers would not handle sufficient traffic to warrant the expense of a dedicated SS7 link.[4]

One approach which solves this problem is illustrated in Figure 3. The architecture in Figure 3 features: (i) a new type of SS7 node (an Internet Call Routing (ICR) node) which can perform SS7 call setup signaling with ingress switches, and (ii) an upgraded AS that has a non-SS7 signaling interface to the ICR node. While implementing a non-SS7 signaling interface is likely to increase the cost of AS, its advantage is that it can be less sophisticated than the standardized SS7 protocol, and can utilize existing capabilities within commercially available access servers for Q.931 based signaling. Consequently, the AS in Figure 3 has the potential to cost less than a fully SS7 capable AS.

The ICR node in Figure 3 is critical to call setup, since the AS cannot cut-through an SS7 trunk connection by itself. Instead, it relies on signaling from the ICR node to tell it which circuit the call is coming in on, and to complete the connection. Note that the ICR node will monitor AS ports / modems to determine whether it has free modems that can be used to answer the incoming call. If not, the ICR will use standard SS7 signaling to release the call, and provide busy tone at the ingress switch. Although we have described the ICR node as a new type of SS7 node, it may in fact be an existing SS7 node running an Internet Call Routing application. The ICR node also has the potential to perform intelligent functions, beyond simple call setup and teardown.

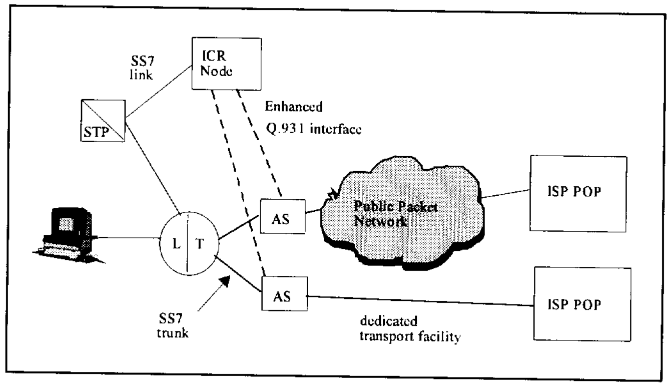

Figure 3: Post-Switch Architecture B

As discussed above, the immediate advantage of Architecture B is that it utilizes SS7 supported trunks to connect ingress switches to access servers. This can facilitate its wide-spread deployment throughout the PSTN, and make it easier to scale up as internet traffic grows. However, Architecture B also has a number of other advantages. The ICR node can be owned and operated either by the LEC or by an ISP. Also modem bank functionality can be situated either in the AS itself, or in the ISP box in Figure 3. In the first case packet transport could take advantage of multiplexing gains. In the latter case, transport would be via circuit emulation, and would not realize any multiplexing gain. However, these options for modem locations may make the architecture more flexible in addressing the future business needs of ISPs.

4 A single SS7 link has the capacity to handle many thousands of Access Server ports. Access servers typically have from several hundred up to 700 ports. A single SS7 link can therefore handle 40 plus access servers at typical engineered loads.

Note that having modems located on the ISP premises is closer to the present mode of operation (PMO). In this case, the AS simply provides an SS7 supported trunk termination co-located with the ingress switch, and internet calls are transported in circuit-switched or circuit emulation mode to the ISP. In future, as data protocols evolve, ISPs may find it desirable to have the LEC maintain modems at the AS, and have internet calls delivered to them in data format, to take advantage of multiplexing gains on data networks. Architecture B facilitates both options.

Architecture C. SS7 Trunk Interface & Gateway Node

Finally, Figure 4 – Architecture C – shows a more evolved version of Architecture B. In this architecture, the ICR node handles both call signaling and call transport. Calls are routed from access servers to the ICR using PRI trunks, for example. The ICR node acts as a hub, providing a common platform where a variety of access technologies such as T1, ISDN PRI, Frame Relay, modem pools and routers can be made available to both ISPs and corporations. Consolidating access from numerous egress switches into this type of hub is anticipated to provide operational efficiencies for LECs and ISPs. As the internet continues to expand and evolve, it can make it easier for ISPs to upgrade and stay current with new equipment, and also to gain faster access to new markets with smaller up-front capital cost.

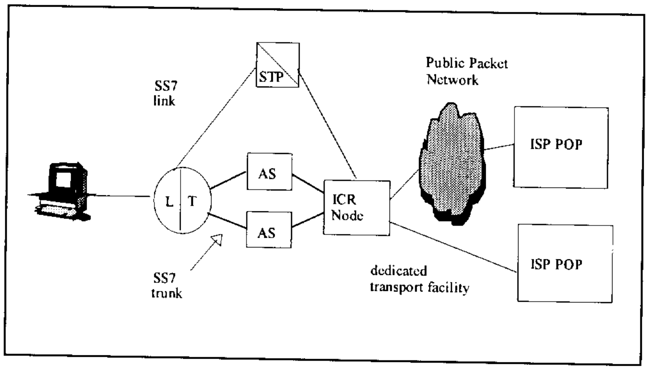

Figure 4: Post-Switch Architecture C

4.2 Post-Switch Issues

The advantage of post-switch architectures is that they take advantage of the intelligence that resides in network switches and SCPs, to better route and manage internet traffic inside the PSTN. For example, they can utilize sophisticated SS7 and IN triggers, routing functionality and traffic controls. Of course, post-switch architectures are based on the assumption that one would want to allow internet calls inside the PSTN. There are reasons why this may be the case.

It is possible to view internet traffic as merely a problem for the PSTN, that should be banished to external data networks as soon as possible. Alternatively, it is possible to imagine internet traffic as requiring the first true large scale integration of the PSTN and data networks. In the latter view, internet traffic is not so much a problem as an opportunity. By bringing this traffic into the PSTN, and managing it intelligently, the opportunity exists to offer a range of new internet-related features and services that packet networks, in their present stage of maturity, cannot support. Post-switch architectures may therefore constitute a longer term goal for network operators.

The immediate challenge for post-switch architectures is to justify the cost of burdening ingress switches with the triggers and additional signaling required to support internet call routing. This additional burden could be significant. For example, deploying office-based triggers in order to identify internet versus voice calls could increase call processing times in the switch. This translates into a corresponding reduction in switch capacity, and the possible need for processor upgrades in some switches. The capacity impact will vary based on switch technology and the type of triggers or translations used (e.g., 6 vs. 10 digit).

Although post-switch architectures do not off-load internet traffic from ingress switches, they can conceivably improve the situation of these switches by intelligently managing internet traffic. For instance, although the situation is improving, many ISP facilities are under-engineered in comparison to the PSTN, resulting in very high levels of blocking in the ISP busy hour. Ineffective call attempts utilize trunk and switch resources only for very short periods of time (e.g., 0.9 - 1.5 seconds). However, taken across a network, their cumulative effect can be significant. In certain cases it is possible that they could inflate the load on switch processor by a non-negligible amount and result in significant increase in the load on trunks. Both of these effects necessitate the addition of more switching and trunk capacity to the network, if the established level of service is to be maintained.

However, SS7 and IN traffic monitoring capabilities can be used to block internet calls at the ingress switch if the target ISP facility is known to be congested. By using these capabilities, the ingress switch does not waste time processing calls that are bound to fail once they reach the ISP. Similarly, inter-office trunk resources are not tied up on calls that cannot be served. This type of call throttling can ensure that ingress switches and trunk resources are used efficiently.

Finally, we note that intelligent routing inside the PSTN can be used to route internet calls to alternate facilities, in the event that the primary facility (e.g., modem bank) is congested. And more generally, intelligent routing can be used to route internet calls flexibly, based on time of day or other appropriate criteria. This can allow ISPs to efficiently manage their own resources, schedule upgrades, etc. Similarly, from the LEC perspective, flexible routing can be used to route internet traffic through facilities (e.g., downtown offices) that are not heavily utilized during the 9-11 PM internet busy hour. This will help to maximize the efficiency of PSTN resources.

5. Pre-Switch Architectures

As described in Section 4, post switch architectures reduce internet congestion on interoffice trunks and egress switches. However, ingress switches are still involved in transport. Pre-switch architectures, which intercept calls on the line side of ingress switches, have the advantage of totally by-passing the PSTN, including ingress switches. (However, note that PSTN elements may still be involved to some extent in call-related signaling).

The common element of pre-switch architectures is an adjunct box that resides in front of the switch and has the capability to re-direct calls (e.g., onto a data network). The intelligence to re-direct internet vs. voice calls can reside in the adjunct box, ingress switch, or in another network element. Calls that are identified as voice calls are passed through the adjunct to the ingress switch for normal processing through the PSTN. Internet calls are intercepted and re-directed onto dedicated transport facilities for delivery to ISPs.

Although adjunct boxes are conceptually simple – they merely act as a call re-direct mechanism – they raise a number of issues. For instance, once an adjunct redirects a call and takes the switch out of the call path, the switch still needs to know how to handle incoming calls to the busy line, in order to support features such as call forwarding, call waiting and voicemail. Less obviously, the switch needs to retain the capability for operator interrupt, access to calling party information by law enforcement agencies, wire tapping and billing, for / during internet calls.

It follows that pre-switch adjuncts cannot act independently of the switch. Instead there needs to be a mechanism to maintain a consistent view of call and line states between the switch and adjunct. Additionally, in cases where per-call billing is required, billing information for the redirected call needs to be collected (somewhere). These problems are not necessarily difficult to solve. However, they require advance thought and planning. A final issue with pre-switch architectures is that they may not be able to support ISDN customers. To date, pre-switch mechanisms for re-directing ISDN calls have not been proposed.

BellSouth Telecommunications, Inc.
Tennessee Regulatory Authority
Docket 99-00430 & Docket 99-00377
Late Filed Hearing Exhibit AJV-4
November 19, 1999
Item No. 4
Page 52 of 58

5.1 Description of Architectures

Proposed pre-switch adjunct architectures make use of an embedded base of Integrated Digital Loop Carrier (IDLC) technology. In an IDLC configuration, a Remote Data Terminal (RDT) is used to terminate a group of customer lines at a location that is (nominally) remote from the switch. The RDT is connected to a digital switching system via a DS1 or OC-3 carrier which, by multiplexing many customer lines onto a single carrier, provides efficiency in the local loop and enhanced operations capabilities.

Note that there are several standard protocols that can operate over the RDT-switch interface, including TR-57, TR-8 and GR-303. Of these, GR-303 is the most recent and the most powerful in terms of its signaling capabilities and ability to support new (e.g., internet) applications. At present, however, GR-303 is not widely deployed in the network. It follows that IDLC-based pre-switch adjuncts which are capable of working with TR-57 and TR-8 (as well as GR-303) will have wider applicability within the network. On the other hand, GR-303 provides a standardized interface that can be implemented on multiple vendors' equipment. Non-GR-303-based adjuncts rely on a signaling interface (between the RDT and ICR node, see below) that is currently not standardized (i.e., is proprietary to individual vendors).

As suggested above, there are at least two approaches for re-directing internet calls in pre-switch adjuncts, namely non-GR-303-based and GR-303-based solutions. These are described in more detail below.

D. SS7 Based Line Side Call Redirect

The first approach for pre-switch architectures is to use the ingress switch for digit collection and trigger assignment, but to place call routing intelligence in a separate network element. This approach is illustrated in Figure 5. In this scenario, an Internet Call Routing (ICR) node controls the RDT via a signaling interface that could be proprietary, or that could conceivably be developed into a standard interface to facilitate the mixing and matching of equipment from different vendors. The ICR node is SS7 capable and utilizes SS7 (ISUP) signaling to control the setup and teardown of circuits through the switch.

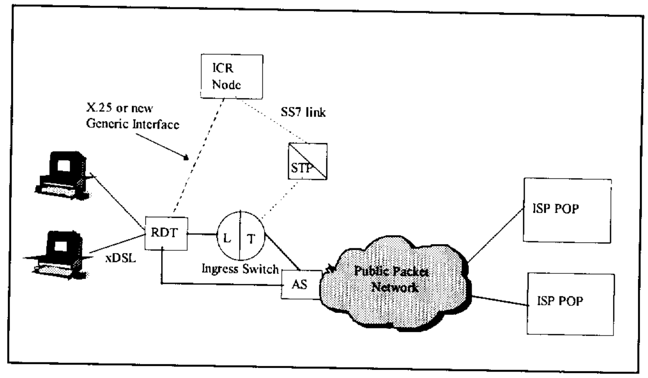

Figure 5: SS7 Based Line Side Off-load Architecture

In Figure 5, incoming internet calls hit a trigger in the switch, which causes the switch to issue a query for routing instructions (to an SCP). When routing information is received, an SS7 call setup message is sent to the ICR. The ICR informs the RDT to re-direct the call to a data network, and at the same time sends an SS7 release message back to the switch, forcing the switch out of the call path. A final step is for the RDT to signal the switch that the subscriber line is busy (off-hook), so that calls arriving from the network do not interfere with the ongoing internet call.

The philosophy behind this approach is to put internet call routing intelligence in a central network element (the ICR node) rather than a simple, unintelligent element (the RDT) on the edge of the network. This can make it easier to implement changes to internet call routing, since only the ICR nodes must be upgraded, rather than a large number of RDTs, which do not necessarily have the operations support for frequent changes or upgrades to internet call routing functionality.

Note that by placing internet call routing intelligence in the ICR node, rather than the RDT, this architecture can potentially work with TR-57 and TR-58, as well as GR-303. Also note that the ICR node in Figure 5 is similar in functionality to the one employed in post-switch architecture B. In fact, the same ICR node could conceivably control both pre-switch adjuncts and post-switch access servers. This type of combined ICR node would support very flexible off-load architectures.

E. Non-SS7 Line Side Call Redirect

The second approach, illustrated in Figure 6, is based on enhancements to the GR-303 standard. In this approach, RDTs may be co-located with ingress switches, and the GR-303 interface is used to support the signaling required to re-direct and manage internet calls. Incoming internet calls can be identified (via a trigger) and routed (via a table lookup) in either the switch itself, or in the RDT. In the first case, the switch is responsible for normal call processing, including dialtone generation. If an internet call is detected, the switch signals the RDT via GR-303 to re-route the call onto a data network. In this case, internet call filtering can be provisioned on a per-line basis, and the potential exists to overflow internet calls onto the PSTN if the data network is unavailable. It does, however, involve a real-time hit on the ingress switch, to support the call filtering, routing and signaling functions.

The second case is again based on GR-303, but relies on internet calls being identified and routed in the RDT rather than the switch. In this case the RDT is provisioned with DTMF receivers so that it can register dialed digits. (The RDT may or may not provide dialtone.) It is also provisioned with the routing information for internet calls. When an internet call is detected in the RDT, the RDT itself re-routes the call to a data network, and informs the switch of this action. This case minimizes the impact of internet traffic on the ingress switch, but requires some non-standard functionality in RDTs, and new call flows between the RDT and switch.

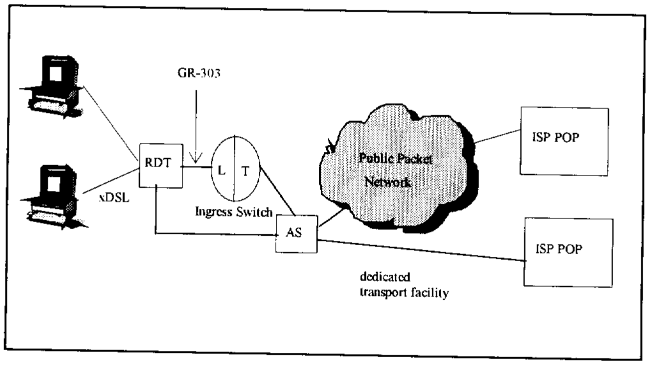

Figure 6: Non-SS7 Based Line Side Off-load Architecture

5.2 Pre-Switch Issues

The pre-switch architectures described above are attractive because they de-load internet traffic from the ingress switches, as well as from inter-office trunks and egress switches. They do, however, involve a tradeoff. Deploying equipment at the edge of the network, particularly if it involves significant complexity or intelligence, can be an expensive proposition, due to the amount of equipment and the operational effort involved in installing and maintaining the equipment. It also leaves one vulnerable to stranded investment, if technology changes.

One strategy for obtaining the benefits of pre-switch architectures, while avoiding the pitfall of stranded investment, is to place internet call routing intelligence in an ICR node, as in Figure 5. Placing intelligence in the ICR node, rather than the RDTs, has the potential to make RDTs simpler, less expensive and, consequently, less vulnerable to the risk of stranded investment. The ICR node could also be used to implement intelligent functions beyond simple call setup and teardown, and could potentially be used to support both pre- and post-switch architectures (see Figures 4 and 5). Finally, the ICR node can work with all IDLC technology (not just GR-303), though it currently depends on a proprietary signaling interface to the RDT.

More generally, the key to the effective use of pre-switch architectures is to balance the amount of equipment deployed, versus the amount of internet traffic off-loaded from the PSTN. Measurements of internet usage show that internet users will vary from heavy to light. In general, a small percentage of heavy users can generate a large percentage of the total internet traffic. A much larger number of light users generate the balance of the traffic. For example, it is not unusual to find that 20% of internet users generate about 55% of the total load, and that 40% of users generate more than 80% of the total load.

The best strategy for a pre-switch architecture is to deploy only as many adjuncts as are required to terminate the lines of identified heavy users. This strategy minimizes the line-related costs associated with deploying adjuncts, while maximizing the traffic-related benefit that one obtains by off-loading internet calls onto data networks. The key question is what percentage of subscriber lines should be moved onto pre-switch adjuncts. Even supposing that one has an effective strategy for identifying heavy users (which may itself be problematical), one still needs a formula for where to draw the line between heavy and light users.

As one moves lines onto pre-switch adjunct terminations, the per-line equipment costs will steadily rise. However, the same is not true of the traffic-related savings. Initially, one will obtain great savings by moving a core of heavy users onto adjuncts. As one continues, however, progressively smaller savings are obtained, since one is capturing only light users. In general, there will be an optimal operating point, where total savings (traffic-related cost savings minus equipment costs) are maximized. Identifying this optimal operating point – which may vary from switch to switch, and would also vary over time as traffic patterns change – is a critical issue for pre-switch architectures.

The problem of identifying heavy users in the first place, as a prior step to moving them onto adjuncts, is likewise important. Specifically, one needs the capability to reliably measure and rank order subscribers' internet usage, via statistically valid sampling. Currently, there are several methods for identifying heavy users. Off-line processing of SS7 data, collected by means of some portable SS7 collection system or device, can provide a snapshot of heavy users as well as other useful information. This approach has been used in the absence of permanently deployed SS7 data collection systems. As permanent systems come on-line, it will be preferable to analyze data using automated systems and filters.

One alternative to an external measurements system is to utilize switch traffic and provisioning systems to measure subscriber usage, and manage heavy users. An advantage of this approach is that the measurements can be integrated into the switch provisioning flow, in order to load balance heavy users across line peripherals. A possible disadvantage is that existing switch systems may not capture full call data, or may present aggregate data in a way that is not useful for the identification of heavy users. This issue is being addressed in Bellcore's switch provisioning systems.

Another alternative that avoids external measurements systems is to use the capabilities of the Intelligent Network architecture to identify the heavy users. This function can be implemented in the ICR node or in SCPs.

Beyond the immediate problem of identifying and managing heavy internet users, a further benefit of collecting internet traffic usage measurements is to provide traffic data and performance measurements concerning ISPs. As internet connection services evolve, traffic data will become valuable to ISPs, for purposes of marketing and service differentiation. In addition, there is a market for third party validation of ISP performance. Other applications of traffic / performance measurements are to provide network traffic and usage measurements for ISPs so that modem pools can be engineered optimally for a given Quality of Service. Finally, LECs can also use traffic reports to size and engineer the DS1/ISDN trunk groups between switches and access servers, and to support engineering of the Frame Relay or ATM transport network.

Lastly, note that once heavy users have been identified using PSTN / SS7 measurements, and are moved onto pre-switch adjuncts, the task of monitoring their usage and grooming users on a continuing basis may need to be performed by the pre-switch adjuncts themselves, or by the ICR node. Once users are moved onto adjuncts, they will no longer have visibility through SCP or switch-based measurements, unless this capability is specifically implemented in the switches and SCPs.

6. Other Feature Capabilities

In this section we briefly describe some SS7 and IN-based features to improve internet call control and routing.

A. Alternate Routing on Busy Modem Pools

A common and widespread problem with current internet access is that calls are often blocked due to busy modems. Furthermore, when users are not successful in connecting to a modem pool on the first attempt, they often retry. Measurements show that internet calls have a much higher re-attempt rate than voice calls (an average of 5 re-attempts for each blocked internet call).

These re-attempts further increase the load on the network and can actually decrease the call completion rate (snow ball effect).

It is possible that when a particular modem pool is busy, there are other modem pools with available capacity. To implement alternate routing for calls that encounter a busy signal (i.e., busy modem), the network needs to monitor the status of internet access lines. Also in certain scenarios where the number of re-attempts are high, it may be beneficial to invoke a call throttling mechanism to stop some of the calls from entering the network. SS7 and IN capabilities can be used to implement alternate routing and call throttling mechanisms. These advanced routing features will ensure that modems at various locations are utilized in an optimal manner, and can also increase call completion rates for customers.

B. Multiple Trunk Groups Routing on Busy Trunks

Another advanced routing feature that can be useful in the internet access network is the capability of supporting three or more alternate trunk groups as choices for routing the call. If the first trunk group is busy, then an attempt to terminate on the second trunk group will automatically be made, and if all trunks in the second trunk groups are busy, the third trunk group will be used. Using this feature, if there are some temporal variations in internet traffic, multiple routes are available for forwarding the call to an AS. This will result in cost effective engineering, as one does not have to over engineer a particular trunk group and the corresponding number of modems in a particular AS.

C. Decision Based Routing

Other decision based and flexible routing can be used in these architectures. Examples include routing based on time of day, or based on NPA-NXX of the calling party, or possibly even routing some calls to less congested AS for the most preferred customers, etc.

D. Internet Call Throttling

Current blocking levels for accessing ISPs are much higher than the traditional performance levels for which PSTN switches and trunks are engineered for (typically 1% blocking or less). The amount of blocking varies among ISPs, also depends on particular locations, and time of day, etc. Ineffective attempts impact the PSTN in two ways. The first impact is on switch processors. A re-attempt call uses about the same amount of switch processor resources to setup and clear the call as a successful (answered) call. The second impact is that an ineffective (busy) call also uses the inter-office trunks for a small (but non-negligible) duration. A busy call ties up the direct trunks for about 1.3-1.8 seconds, and tandem trunks for 0.9 to 1.4 seconds.

Clearly the amount of re-attempt traffic generated depends on the ISP probability of blocking. If ISPs improve call completion rate, the majority of ineffective traffic will disappear. However, at current marginal performance levels the network resources wasted due to ineffective attempts is not negligible. Thus, it may be justified to design a call throttling scheme to control ineffective attempt at the originating switches. A cost / performance study is needed to determine the cost of deploying such control schemes vs. the savings obtained by blocking some calls at the edge of the network.

7. Discussion

This paper has outlined five architectures for off-loading internet traffic from the PSTN onto data networks. Three of these are post-switch architectures, and two are pre-switch architectures. These architectures can be compared and evaluated under three main headings:

1. *Technical issues* — What are the technical issues that need to be resolved before the architecture can be implemented, and what is the timeframe for resolving them? These issues include such items as protocol interworking, tunneling, feature support, additional OSS capabilities, etc.

2. *Cost / business issues* — What are the cost/benefits of adopting a particular architecture? To what extent will it reduce the costs associated with carrying internet traffic on the PSTN? By virtue of new technology (e.g., ADSL), can a solution architecture not only reduce current costs, but also result in new services and revenues?

3. *Strategic issues* — Finally, what are the strategic implications of adopting a particular architecture? How does the architecture fit with other service offerings, and the general evolution of the network?

Will it facilitate potential new services such as internet telephony, and support sophisticated signaling interfaces between voice and data networks (e.g., marriage of SS7 and TCP/IP)?

We conclude with some general observations on the pros and cons of the proposed off-load architectures. Leaving aside strategic issues, the intent of off-load architectures is to reduce PSTN costs by carrying internet traffic more efficiently. Additional benefits may include better service to internet users, and the potential to support new internet or data oriented services for residential subscribers, business subscribers and ISPs. However, in the short term, the focus is on reducing PSTN costs.

The effectiveness of the above architectures depends on the usage patterns of internet users, and on how costs are distributed throughout the PSTN. Pre-switch architectures capture internet traffic before it enters the PSTN. Because of this, they eliminate or reduce the costs associated with ingress switches, which constitute a significant portion of the total network costs. Pre-switch architectures also have the potential to capture internet traffic very efficiently, provided one can solve the problem of identifying heavy internet users. If this problem is solved, pre-switch adjuncts can be targeted specifically at a relatively small number of heavy users, resulting in maximum impact for minimum expenditure.

One problem with pre-switch architectures is that they move the onus of identifying heavy users onto other systems, such as OSSs, external measurement systems, etc. Unless pre-switch architectures are supported with systems necessary to identify and groom heavy users on an on-going basis (which may itself involve some cost), these architectures are likely to be ineffective, and may even result in increased costs. Identifying the optimal percentage of subscriber lines to move onto pre-switch adjuncts (possibly on a switch-by-switch basis), and ensuring that switches are maintained at the optimal operating point, requires fairly sophisticated data collection systems, and provisioning / work order processes.

Finally, an additional risk factor associated with pre-switch architectures is that they operate at the edge of the network. Capturing traffic at the edge of the network, where it is diffuse, can potentially result in significant cost savings as described above, but may also result in stranded capital investment if technology or subscriber usage patterns begin to change. Dealing with aggregated (internet) traffic streams inside the PSTN, would be a safer strategy, since one then obtains efficiencies of scale in deploying and operating off-load equipment. The risk of stranded investment can be addressed by providing a plausible evolution strategy for pre-switch equipment.

SS7 and IN capabilities have the potential to be effectively integrated with pre-switch architectures, so as to address the above concerns. As described briefly in sections 5, SS7 and IN capabilities can be used to identify heavy users prior to their being moved onto pre-switch adjuncts. (Once they are moved, their usage may need to be monitored by alternative means.) Furthermore, use of SS7 signaling to support internet call routing, as in Architecture D, permits routing intelligence to be controlled from inside the network. This in turn reduces the risk of stranded investment in adjuncts, and makes it easier to upgrade and manage routing databases, etc.

However, at present the integration of pre-switch adjuncts with SS7 signaling requires some novel network arrangements and non-standard signaling. These issues need to be addressed by the industry. Some have raised fundamental concerns regarding the pre-switch adjunct architecture. Critics of this architecture argue that it may not be a good idea to put triggers and call processing capabilities in another box in front of the switch. The argument is that this strategy gradually results in having another substantial switch (the adjunct) standing in front of the Class 5 switch.

In contrast to pre-switch architectures, the post-switch architectures described in Section 4 make it unnecessary to explicitly identify and manage heavy internet users. By default, ingress switches are used to route all internet calls to AS, by means of 10-digit number translations or IN-based routing. This constitutes an advantage for post-switch architectures since, as discussed above, the identification and management of heavy internet users is a non-trivial problem.

By capturing internet traffic on the network side of ingress switches, post-switch architectures can take advantage of economies of scale in the deployment of off-load equipment. Architecture C (Section 4) takes this idea to its logical conclusion, by routing all internet calls and signaling through a hub ICR facility. If internet traffic grows into a high penetration, large scale service as has been forecasted, this type of hub facility can be used to provide economical connectivity between LECs and ISPs.

As the market evolves towards more sophisticated, value-added internet services, the hub arrangement may well prove to be very attractive to ISPs and corporations, since they can avoid owning and operating their own AS equipment. Instead, the hub facility could be operated by an LEC or third party, and the ISP or corporation could simply subscribe to new equipment according to their own customers' or employees' needs. The hub operator would manage a variety of AS equipment from multiple vendors, achieving economies of scale by serving many ISPs and corporations.

A major disadvantage of post-switch architectures, at least in the simplest implementations, is that they do not address ingress switch costs. In addition, they potentially incur some additional costs through the deployment of IN capabilities on switches, SCPs, ICR node, and the implementation of IN triggers on switches. However, it should be noted that SS7 and IN nodes are already widely deployed. Thus there may only be some incremental cost associated with carrying or processing the signaling required for off-load function.
As with pre-switch architectures, SS7 and IN capabilities can address the weaknesses of post-switch architectures, by means of flexible call routing, and a number of traffic flow control features that can be custom designed for internet traffic management.

8. Conclusions

In conclusion, there are pros and cons to both pre- and post-switch architectures. These two classes of architecture have strengths in different areas. In reality, an optimal strategy could utilize both types of architecture, depending on traffic volumes, congestion levels in ingress switches, and overall economics.

Many of the technical issues associated with the implementation of off-load architectures are now reasonably well understood. Work programs in these areas (e.g., requirements / standards development) are mapped out, and are waiting for expressions of interest from the industry. Business case and cost analysis efforts is not as well advanced. Information to evaluate the cost effectiveness of various architectures certainly exists, but needs to be assembled and synthesized into a coherent picture.

In this paper, various internet off-load architectures have been described with somewhat of a near term focus in mind. It may be advantageous for network providers and equipment suppliers to also rethink the overall network evolution to better understand the direction of the PSTN in terms of incorporating new technologies that would facilitate the support of all traffic types including voice, data, and video applications.

A principal contribution of this paper is to highlight the potential use of SS7 and IN capabilities not only to enhance the effectiveness of both pre- and post-switch architectures from a technical point of view, but also improve their economics by providing the flexibility to adapt to a rapidly changing internet traffic patterns.

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